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HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

NATIONAL OVERVIEW

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

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PREFACE

Although it may not be widely recognized, there is not really a single "safety net" covering all of the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was created to examine these 51 safety nets.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as this national overview. We hope these reports are useful to policymakers and legislators at federal, state, and local levels, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others who are concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies (such as state tax policies that help determine the after-tax income of poor households). The reports cover cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and tax policies. The reports do not cover programs providing services rather than benefits, not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

As these reports indicate, there are many gaps in the states' safety nets, gaps that are larger than most Americans may realize. Reducing these gaps in the safety nets could serve both to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not be taken to suggest, however, that we regard improvement in safety net programs as the complete agenda for dealing with poverty in our country. Other efforts, such as improving the educational and job skills of large numbers of low income youth, are critical. We need both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency.

ACKNOWLEDGEMENTS

The Safety Nets Project has been a group effort, benefiting from the knowledge and efforts of much of the staff at the Center on Budget and Policy Priorities. Keith McKeown edited all of the reports -- leading to many substantive and stylistic improvements -- and helped guide the project along. Leslie Zupan prepared the documents and tables; through her skillful use of computers, an enormous amount of work was accomplished in a relatively short period of time. Paul Leonard was largely responsible for the AFDC, SSI, and housing assistance sections, including providing some of the especially difficult data analysis in these areas. Scott Barancik tenaciously tracked down state data. Laura Summer helped untangle the intricacies of the Medicaid program, as did Kathryn Porter whose comments also strengthened the structure of the state analyses. Marion Nichols surveyed the states for information on the general assistance program and organized it into comprehensible form. Stefan Harvey (and, again, Laura Summer) provided assistance on the WIC section and Fred Hutchinson helped with the tax section. Susan Steinmetz assisted with the AFDC-UP section. Kathryn Hill, Ellen Nissenbaum, Rosemary DeMenno, and Carol Seifert made useful contributions throughout the project.

A number of individuals who are no longer with the Center also assisted in the project's development. In particular, John Bickerman laid the project's groundwork, without which our task would have been substantially more difficult. David Kahan, Rebecca Plaut, and Arloc Sherman also contributed their help and expertise.

The project, moreover, could not have been completed without the generous assistance of numerous poverty policy experts who either provided us with data or commented on our findings. Steven Gold deserves special notice for his assistance, as do Sara Barwinski, Carol Croce, Cushing Dolbeare, Helen Gonzales, Chuck Hill, Ian Hill, Hal Hovey, Sara Rosenbaum, Marion Standish, Russell Sykes, and Valinda Winchester.

The authors would like to express our gratitude to all these friends and colleagues. We also claim sole responsibility for interpretations provided and any errors that may remain.

I. Holes in the Safety Nets

Although we often speak of "the safety net" protecting those who are poor, in reality the United States does not have a single safety net. On the contrary, there are 51 safety nets -- one in each state and the District of Columbia.[1] Federal standards and programs play a major role in determining levels of aid available to the poor, but in many respects state choices ultimately fashion the safety net in each state. For example, state choices are partly or solely responsible for determining the level of government cash assistance to poor families with children, eligibility for Medicaid, the Medicaid services to be provided, eligibility for unemployment insurance, and the burden of state tax systems on low income residents.

The 51 safety nets are of vastly different quality. Some states have adopted a substantial number of the key optional assistance provisions. But in many states, entire categories of households receive no assistance and most of those who receive assistance still have total incomes far below the poverty line. For example:

- In 32 states, the maximum Aid to Families with Dependent Children (AFDC) cash benefit for a family of three with no other income is below 50 percent of the poverty line. In nine states, these benefits are less than one-third of the poverty line.

- In no state except Alaska does the combined maximum AFDC and food stamp benefit lift a family of three without other income to the poverty line.

- Only 28 states provide AFDC benefits to two-parent families. In the other 23 states, poor two-parent families who cannot obtain aid from generally restrictive state or local general assistance programs and who cannot qualify for or have exhausted unemployment insurance are very unlikely to receive any cash assistance at all.

1. Throughout this analysis, the District of Columbia is considered to be a state.

- Only eight states have state programs of general cash assistance to single people and childless couples who are neither elderly nor disabled. State general assistance programs also operate in 13 other states, but in these states, aid is restricted to disabled or elderly people. In some other states, there are county-based general assistance programs, but these, too, are often limited in scope. In 11 states, there is no state or local general or emergency assistance program whatsoever.

- In 21 states, the Medicaid income eligibility threshold for a three-person family is below half of the poverty line. In only one state is it set at or above the poverty line.

- In 26 states, fewer than one of every three unemployed people received unemployment insurance in an average month in 1986.

- Although property taxes generally constitute the heaviest burden of any federal, state or local tax on poor families, and although 31 states do provide property tax relief to some low income residents through a "circuitbreaker" program, most of these states limit their circuitbreaker programs to the elderly (or to the elderly and disabled). Only 10 states have circuitbreaker programs that extend property tax relief to low income families and individuals other than those who are elderly or disabled.

- At least 28 states impose state income taxes on working families living below the poverty line, and 10 states impose income taxes on families whose gross incomes fall below half of the poverty line.

In some states, the safety net has particularly notable shortcomings. For instance, in Alabama, with one of the highest poverty rates in the nation (one of every five Alabamians was poor in 1985), maximum AFDC benefits for a single-parent family of three equal just 15.6 percent of the poverty line. This low percentage also serves as the cutoff point for Medicaid eligibility. Alabama has neither an AFDC program for two-parent families nor a general assistance program. As a result, two-parent families in poverty, as well as poor single people and childless couples who are neither elderly nor disabled, are unlikely to receive any government cash assistance in Alabama, unless they qualify for unemployment insurance. The latter program, moreover, provides cash assistance to only a small proportion of the unemployed -- fewer than one of every four jobless people in Alabama received unemployment insurance benefits in 1986.

This report consists of an overview of state safety nets and an array of tables providing state-by-state data in a number of areas. In addition to this report, the Center on Budget and Policy Priorities has published individual reports on the safety net in each of the 50 states and the District of Columbia.

The Context of State Safety Nets: The Incidence of Poverty

The adequacy of state safety nets is especially worth investigating because a substantial proportion of the country's population lives in poverty. Nationwide, 32.4 million people were classified by the Census Bureau as poor in 1986. This translates to a poverty rate of 13.6 percent, an unusually high level after four years of economic recovery. The poverty rate was higher in 1986 than in any year in the 1970s, higher even than during the 1974-1975 recession. The poverty rate in 1986 was also higher than the poverty rates of 11.6 percent in 1977 and 13.0 percent in 1980, even though the unemployment rate was at nearly identical levels in all three years.

While official Census data on state poverty rates are not as current as the nationwide poverty data (the latest available government estimates of state poverty rates are from the 1980 Census), more recent estimates -- based on 1985 Census data -- have been developed by researchers at the Institute for Research on Poverty at the University of Wisconsin-Madison. These more recent estimates should reflect current state poverty rates more accurately than the official estimates from the 1980 Census. The 1985 estimates are generally more precise for states with large populations than for states with small populations.[2]

In 1985, the incidence of poverty varied dramatically among the states, ranging from an estimated high of 25.1 percent in Mississippi to an estimated low of 6.0 percent in New Hampshire. That is, a resident of Mississippi was more than four times as likely to be poor as a resident of New Hampshire. A number of states had exceptionally high poverty rates: 20 states had poverty rates estimated at greater than 15 percent. In five jurisdictions -- Alabama, Arkansas, the District of Columbia, Mississippi, and West Virginia -- more than one of every five residents was poor, according to the estimates. By comparison, the nationwide poverty rate in 1985 equaled 14.0 percent. (See "Tables," Table A1.)

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2. Christine Ross and Sheldon Danziger, "Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987. Ross and Danziger constructed their estimates from data on Census Bureau computer tapes that were collected as part of the Census Bureau's Current Population Survey.

II. Highlights of State Safety Net Policies

The first four policy areas to be examined here are cash assistance, medical assistance, unemployment insurance, and taxes. In all of these areas, states have wide discretion over policy decisions, leading to widely divergent state policies. In the other three areas to be examined in this chapter -- housing assistance, energy assistance and the WIC program -- federal funding decisions are the primary determinant of the scope of the programs, although states have the option to supplement federal funding.

Throughout this report, the focus is on benefit and income-related programs as distinguished from service programs. For example, the Medicaid program which helps pay for the cost of health care for low-income people is discussed, while programs that provide grants for health care delivery systems are not.

ASSISTANCE BY HOUSEHOLD TYPE

In most states, the extent of government assistance varies sharply by the type of poor household. **Elderly and disabled people** are generally eligible for the most cash and medical assistance; even so, the level of assistance provided often leaves them below the poverty line, and many do not receive Medicaid. Households headed by an elderly or disabled person are also more likely than other households to be eligible for state property tax relief programs.

Although the AFDC and Medicaid programs provide assistance to many poor **single-parent families**, these families are generally eligible for substantially less assistance than elderly and disabled people. Moreover, many of these families (especially those who are working poor families) receive neither cash assistance nor health care coverage.

Two-parent families with an unemployed primary earner generally receive cash and health care assistance similar to single-parent families *if* a state decides to extend AFDC benefits to two-parent families. However, they generally receive far less assistance than single-parent families if a state decides *not* to cover two-parent families under its AFDC program. Two-parent families with a full-time worker are categorically excluded from receiving AFDC benefits.

The safety net is weakest for poor **single people and childless couples** who are neither elderly nor disabled. In some states, some of these people may be eligible for limited cash or health assistance. Often, however, they are ineligible for any cash or health assistance. (They may be eligible for food stamps.)

The variations in assistance programs by type of household reflect, in part, variations in the strength of federal standards. Federal standards (and programs) are strongest for the elderly and disabled and weakest for single people and childless couples who are neither elderly nor disabled. The weaker the federal standards, the more important are state decisions in determining the nature and extent of government assistance for low income households.

CASH ASSISTANCE[3]

Aid to Families with Dependent Children

AFDC is the primary cash assistance program for families with children. States determine the level of benefits and whether two-parent households with an unemployed primary earner are eligible for assistance. The program is funded jointly by the federal and state governments. (On average, states pay for approximately 46 percent of total program costs.)

With no federally-mandated minimum benefit level, AFDC benefit levels tend to be quite low and vary greatly among the states (Table 1).

- In 47 states, the maximum AFDC cash benefit for a family of three with no other income[4] is less than 75 percent of the poverty line. In 32 states, it is below 50 percent of the poverty line.[5]

- Maximum three-person benefit levels range from a low of 15.6 percent of the poverty line in Alabama to a high of 83.7 percent in California.

- Seven states (Alabama, Kentucky, Louisiana, Mississippi, South Carolina, Tennessee, and Texas) provide a single parent with two children and no other income $200 a month or less in AFDC benefits. Two of these states, Alabama and Mississippi, provide $120 a month or less, which is less than 16 percent of the poverty level on an annual basis.

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3. For a general description of cash assistance programs, see Endnote A.

4. A small number of families receive the maximum AFDC benefit level even though they have limited earnings. These are families whose *countable* income used in determining AFDC eligibility -- that is, their income after earnings and child care disregards -- is zero.

5. See "Tables," Table A2 for a description of the "poverty line" used here. Table A3 contains miscellaneous information about state AFDC programs.

Table 1. AFDC Benefits by State

State	Maximum Monthly Benefit for a Three-Person Family, 1987	Maximum Benefits As % of 3-Person 1987 Poverty Line ($9,069)	Inflation-Adjusted Change in Four-Person Maximum Benefit (1970-1987)
Alabama	$118	15.6%	-37.8%
Alaska	749	79.3	-23.9
Arizona	293	38.8	-27.6
Arkansas	202	26.7	-18.5
California	633	83.7	+16.7
Colorado	346	45.8	-38.8
Connecticut	601	79.5	-27.3
Delaware	310	41.0	-33.5
District of Columbia	364	48.1	-36.5
Florida	264	34.9	-20.3
Georgia	263	34.8	-20.2
Hawaii	491	56.5	-25.3
Idaho	304	40.2	-51.3
Illinois	342	45.2	-53.1
Indiana	288	38.1	-21.0
Iowa	381	50.4	-37.6
Kansas	409	54.1	-34.0
Kentucky	197	26.1	-54.9
Louisiana	190	25.1	-26.5
Maine	405	53.6	+ 3.8
Maryland	359	47.5	-24.5
Massachusetts	510	67.5	-35.1
Michigan	427	56.5	-31.4
Minnesota	532	70.4	-28.9
Mississippi	120	15.9	-29.5
Missouri	282	37.3	-13.1
Montana	359	47.5	-35.0
Nebraska	350	46.3	-28.1
Nevada	285	37.7	-18.3
New Hampshire	486	64.3	-37.0
New Jersey	424	56.1	-51.8
New Mexico	264	34.9	-40.4
New York	497	65.7	-39.3
North Carolina	259	34.3	-38.7
North Dakota	371	49.1	-40.4
Ohio	309	40.9	-34.6
Oklahoma	310	41.0	-28.9
Oregon	412	54.5	-23.7
Pennsylvania	382	50.5	-49.0
Rhode Island	479	63.4	-28.9
South Carolina	200	26.5	-20.2
South Dakota	366	48.4	-53.4
Tennessee	159	21.0	-48.5
Texas	184	24.3	-57.7
Utah	376	49.7	-29.1
Vermont	603	79.8	-23.8
Virginia	354	46.8	-46.2
Washington	492	65.1	-34.7
West Virginia	249	32.9	-22.6
Wisconsin	549	72.6	+ 3.5
Wyoming	360	47.6	-41.2
Median State	359	47.5	-31.4

Source: Center compilation based on data from Congressional Research Service.

In the median[6] (or typical) state:

- Benefits for a single parent with two children and no other income equal $359 per month or just 47.5 percent of the poverty line.

Most, but not all, AFDC beneficiaries also receive food stamps (see "Tables," Table A4).[7] The level of food stamp benefits decreases as income from AFDC and other sources increases.

- In the median state, the maximum combined value of AFDC and food stamp benefits for a family of three with no other income equals $559 per month or 74.0 percent of the poverty line.

- In every state except Alaska, the maximum combined value of AFDC and food stamp benefits is below the poverty line.[8]

In most states, the inflation-adjusted value of AFDC benefits has eroded dramatically over time. From 1970 to 1987:

- The maximum benefit for a family of four[9] fell 31.4 percent in the median state. In other words, in half of the states, the maximum benefit level has fallen by 31.4 percent or more since 1970, after inflation is taken into account.

- In 12 states, maximum benefits for a four-person family fell by more than 40 percent.

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6. The "median" or typical state is the state whose level of benefits is exactly in the middle of the distribution of all state benefit levels; that is, half the states offer benefit levels above the levels provided in the median state, and half the states offer benefit levels below the levels provided in the median state.

7. Most types of households that meet federally-prescribed income and asset tests are eligible for food stamp assistance. Food stamp benefit levels are federally set and are the same throughout the continental United States. Benefits and income limits are set higher for Alaska and Hawaii.

8. Computations for the "maximum combined value of AFDC and food stamps" assume that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the levels reflected here.

9. The typical AFDC family is more likely to have three members than four; however, 1970 state AFDC benefit data are most readily available for four-person families. Benefit trends for both family sizes follow each other closely.

- In six states (Idaho, Illinois, Kentucky, New Jersey, South Dakota, and Texas), maximum benefits for a four-person family fell by more than half.

A main reason for the fall in the value of AFDC benefits is that the vast majority of states do not automatically adjust benefits to keep pace with changes in the cost-of-living. Only Alaska, California, Connecticut, and the District of Columbia now index benefits to a measure of inflation. Moreover, since enactment of legislation requiring indexing of AFDC benefits occurred only recently in Alaska, Connecticut, and the District of Columbia, the inflation-adjusted value of maximum AFDC benefits in these jurisdictions, too, was sharply lower in 1987 than in 1970.

Another reason that AFDC benefits are so low is that many states pay less in benefits than those states themselves have found to be necessary for a basic standard of living in that state. Under the AFDC program, each state establishes an AFDC "standard of need," which is supposed to reflect the amount of income needed for a minimally adequate standard of living in that state. However, states are not required to pay benefit levels equal to their need standards. Although many state need standards are set well below the poverty line, a majority of the states fail to pay benefits equal to their own standards (see "Tables," Table A5).

- Thirty-one states do not meet their own standards of need.

- Ten states have maximum benefit levels that are *less than half* of their own need standards.

Not surprisingly, with AFDC benefit levels generally low, AFDC income eligibility limits are also low. Large numbers of families who have incomes below the poverty line fail to qualify for AFDC because their incomes exceed the AFDC limits (see "Tables," Table A6).

- In the median state, a mother with two children who earns just $426 a month (or $5,112 a year on an annualized basis) is ineligible for AFDC unless she incurs child care costs.[10] This income eligibility limit is equal to 56.4 percent of the poverty line.

- If such a mother incurs child care costs of $106 per month (the average amount incurred for those AFDC families who have child care expenses), she and her children still will be ineligible for AFDC if she

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10. The income limits referred to here are the income limits used to determine eligibility when a family applies for AFDC. If a member of family already receiving AFDC has a job or the family increases its earnings, its income can -- during the family member's first year on the job -- rise to somewhat higher levels than those shown here before it is removed from the program. The difference in income limits is only significant, however, during the first four months on the job. From the fifth through twelfth months, the income limit will be only $30 a month above the levels used here. This $30-a-month raises the AFDC income limits above the amounts reflected here by an amount equal to four percent of the poverty line for a family of three.

earns more than $532 a month ($6,384 a year), just 70.4 percent of the poverty line.

- In five states (Alabama, Arkansas, Kentucky, Louisiana, and Texas) a working mother and two children with average child care costs are ineligible for AFDC if the mother's income is equal to half of the poverty line.

AFDC-Unemployed Parent Program

Under the AFDC-UP program, states have the option to extend AFDC cash benefits to two-parent families in which the primary wage-earner works less than 100 hours per month.

- Twenty-eight states have AFDC-UP programs; 23 do not.

- Approximately half of the 23 states that do not have AFDC-UP programs are located in the South.

In states without AFDC-UP programs, most two-parent families are automatically ineligible for benefits regardless of how poor they are.[11] A two-parent family in these states that has income below the state's AFDC income limits may not receive benefits, while a single-parent family with identical income will qualify.

Even in states that do have AFDC-UP programs, many poor two-parent families are ineligible. Federal rules require that two-parent families be ineligible for AFDC benefits, no matter how poor they are, if their primary earner works 100 hours or more in a month. As a result, a two-parent family with a full-time worker that is just as poor as a single-parent family (or as a two-parent family with a part-time worker) will not be eligible for AFDC-UP benefits. This restriction helps account for the fact that in states with AFDC-UP, only a relatively small number of two-parent families are served.

- In 1986, AFDC-UP families made up only 9.3 percent of the total AFDC caseload in the 28 states with AFDC-UP programs. In 15 of these states, AFDC-UP families made up less than seven percent of the state's caseload.

AFDC Emergency Assistance

Federal law permits states to provide short-term AFDC emergency assistance to families with children if the family is threatened by broadly defined natural or domestic emergency situations including imminent homelessness and natural disasters. States can provide cash or medical benefits or make direct payments to vendors for emergency services to single-parent or two-parent families that qualify under state guidelines. However, such assistance is very limited.

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11. Two-parent families with children in which one parent is "incapacitated" are eligible for regular AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

- Some 26 states provide AFDC emergency assistance benefits. The other 25 states do not. In these 25 states, some poor families with children may be ineligible for cash assistance when confronted with an emergency situation.

Supplemental Security Income

The Supplemental Security Income (SSI) program is the primary cash assistance program for the elderly and disabled poor. Eligibility for the basic SSI program is based solely upon federal income and asset tests. Unlike AFDC benefit levels, the basic SSI payment level is set nationally and adjusted each year for inflation. The federal benefit level falls below the poverty line.

- For households with no other income, the basic federal SSI payment in 1987 is $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple. These figures are equal to 74.8 percent and 88.9 percent of the respective poverty lines for an elderly individual and an elderly couple (see "Tables," Table A7).

- These estimates of SSI benefits as a percentage of the poverty line are based on the poverty line for *elderly* households. The poverty lines established by the Census Bureau for one-person and two-person elderly households are lower than the poverty lines for all other one-person and two-person households. For *disabled* people who are not elderly, therefore, the applicable poverty lines are somewhat higher. For these people, the federal SSI payment equals just 68.9 percent of the estimated poverty line for an individual and 80 percent of the poverty line for a couple.

States may choose to supplement the basic federal payment for some or all SSI recipients. Even when supplemented, however, SSI benefits generally fail to lift elderly and disabled recipients out of poverty.

- Twenty-seven states supplement the basic federal SSI benefit; 24 states do not.

- In 23 of the 27 states that provide a supplement, the maximum combined federal and state SSI benefits for an elderly individual still fall below the poverty line. For elderly couples, maximum combined benefits fall below the poverty line in 14 of these states.

- The value of state supplements ranges from $2 per month for an individual in Oregon to $292 per month in Alaska. In six jurisdictions,[12] supplements are $15 or less per month.

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12. These are the District of Columbia, Hawaii, Maine, Oregon, South Dakota, and Utah.

Table 2. States That Do Not Supplement SSI

Alabama	Indiana	Mississippi	Ohio
Arizona	Iowa	Missouri	South Carolina
Arkansas	Kansas	Montana	Tennessee
Delaware	Kentucky	New Mexico	Texas
Florida	Louisiana	North Carolina	Virginia
Georgia	Maryland	North Dakota	West Virginia

Only California automatically indexes supplemental SSI benefits to inflation. The inflation-adjusted value of supplemental benefits in most other states has declined sharply over time.

- In the median state of those states that have provided an SSI state supplement from 1974 (when the SSI program began operation) to the present, the value of the SSI state supplement has fallen by 47.5 percent, after adjustment for inflation.

SSI recipients may also receive food stamps. However, in the typical state, an elderly or disabled individual who has no other income except maximum SSI benefits and who also receives food stamps[13] has a total benefit package that still falls 16 percent below the poverty line.

General Cash Assistance

Some states have general assistance (or general relief) programs that provide cash assistance to some categories of poor individuals or families who do not qualify for AFDC or SSI (such as single individuals or childless couples who are not elderly or disabled). No federal funds are provided for these programs and no federal standards apply. States can elect to have a fairly extensive program, a limited program, or no program at all.

As a result, there is no single program model prevailing at the state level. In some states, there are general assistance programs in which eligibility and benefit levels are prescribed by the state and apply statewide. In other states, there are county-run programs where the basic eligibility and benefit standards are set locally. In still other states, there are no general assistance programs. General assistance programs are usually very restrictive. Eligibility is often narrowly defined and the level of assistance is generally quite low (see Table 3).

- Some 21 states have state general assistance programs, but 13 of these states provide assistance only to disabled or elderly people (primarily low-income disabled people who are waiting for their SSI applications to be processed).

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13. The food stamp benefit level used here assumes the recipient household qualifies for the average level of deductions received by food stamp households.

Table 3. Types of General Assistance Programs, 1987

No Program (11 states)

Alabama	Louisiana	Oklahoma
Arkansas	Mississippi	South Carolina
Florida	North Carolina	Texas
Kentucky	North Dakota	

Emergency Assistance Program Only (3 states)

Alaska
Vermont
West Virginia

County-Based General Assistance Program (16 states)*

California**	Iowa	South Dakota
Colorado	Maine**	Tennessee
Georgia	Montana**	Virginia
Idaho	Nebraska	Wisconsin**
Illinois	Nevada	
Indiana	New Hampshire	

State Programs for Disabled Only (13 states)

Arizona	Maryland	Washington
Delaware***	Missouri	Wyoming***
District of Columbia	New Mexico	Utah
Hawaii***	Oregon	
Kansas***	Rhode Island	

State Program Extending Beyond Disabled and Elderly (8 states)

Connecticut	Minnesota	Ohio
Massachusetts	New Jersey	Pennsylvania
Michigan	New York	

Source: Center on Budget and Policy Priorities survey.

*In some of these states, such as Colorado, Georgia, and Tennessee, the programs are of significant scope in only a few counties, and a number of counties lack programs altogether.

**California, Maine, Montana, and Wisconsin have statewide requirements that counties must follow. However, in California and Montana, counties are required only to have a program; there are no state-prescribed eligibility or benefit requirements.

***Also includes elderly.

- In the eight states with state programs that provide general assistance to people who are not disabled or elderly, maximum benefits for a single person range from 28.2 to 68.0 percent of the poverty line, equalling 44.2 percent of the poverty line in the median state (see "Tables," Table A8). In some of these eight states, eligibility is restricted to certain categories of very needy households, such as those with no assets.

- In 16 states, counties or other local jurisdictions establish and operate their own general assistance programs. Some counties within these states offer fairly broad assistance, while other counties provide little assistance or have no program.

- Fourteen states have no state or local general assistance programs whatsoever.

- In three of the states with no general assistance programs, there is a state emergency assistance program. However, emergency assistance programs tend to be even more limited in scope than general assistance programs. For example, Vermont's emergency assistance program serves only victims of catastrophic events such as floods or fires.

In states without general or emergency assistance programs, impoverished single people and childless couples who are neither elderly nor disabled are not eligible for any cash assistance, except possibly for unemployment insurance. In many such states, the unemployment insurance program is itself rather restrictive and provides only limited aid. In half of those states lacking any general or emergency assistance program, fewer than 28 percent of the unemployed received unemployment insurance in 1986.

Moreover, nine of the 11 states without general or emergency assistance programs also lack AFDC-UP programs. In these states, two-parent families in poverty are generally ineligible for any form of federal, state, or local government cash assistance, with the possible exception of unemployment insurance.

Single persons and childless couples who are neither elderly nor disabled can be eligible for food stamps. However, food stamp benefit levels are low, since the program was intended as a supplement to low earnings or to cash benefit programs, not as a replacement for them. In the continental United States, households without any income can receive maximum monthly food stamp benefits of $87 for an individual and $159 for a couple, or 18.0 percent and 25.8 percent of the respective poverty lines for these households. (If these households have other sources of income -- such as modest earnings, general assistance or unemployment insurance benefits -- they may still qualify for food stamps, but the benefit levels will generally be lower.)

MEDICAL ASSISTANCE

The Medicaid program provides health insurance for low-income households. Subject to federal requirements, states administer the programs and have substantial discretion in determining who is eligible for coverage. This discretion is partially related to state decisions about AFDC and SSI benefits, because beneficiaries from either program are usually automatically eligible for Medicaid. But states also have a wide range of choices that can expand eligibility beyond AFDC and SSI beneficiaries. Furthermore, states have substantial discretion in deciding which medical services Medicaid will cover. Since the costs of Medicaid are shared by the federal and state governments (on average, states pick up 44 percent of the costs), states have some incentive to restrict Medicaid coverage and service options.

In part as a result of the restrictiveness of state decisions, a majority of the poor nationwide are left outside of Medicaid. Census data show that in 1985, only about two-fifths of the nation's poor were covered by Medicaid.

Families with Children

Families receiving AFDC or AFDC-UP are automatically covered by Medicaid.[14] However, many poor families (especially families that remain in poverty even though one or more of their members are working) do not receive AFDC or AFDC-UP. States have a number of options under which they are allowed -- but not required -- to extend Medicaid coverage to many of those families and their children who are poor but are not on AFDC or AFDC-UP.

One important option involves **coverage of two-parent families**. As noted above, 23 states lack AFDC-UP programs. However, the absence of AFDC-UP in these states does *not* preclude them from providing Medicaid coverage to poor two-parent families with an unemployed primary earner. Under federal law, states without AFDC-UP programs have the option to extend Medicaid to two-parent families that would qualify for AFDC-UP if the state had such a program.[15]

- Only five of the 23 states without AFDC-UP have elected this Medicaid option. These states are Florida, Georgia, Kentucky, Louisiana, and Oklahoma.

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14. Some families that meet the AFDC income and assets limits but that do not receive AFDC benefits are eligible for Medicaid. For example, families that meet the AFDC income and assets limits but that do not receive AFDC benefits because they would qualify for an AFDC benefit of less than $10 a month, are eligible for Medicaid. (Under federal law, if a family would qualify for an AFDC benefit of less than $10 a month, it is not provided any AFDC payment.)

15. It should be noted that under federal law, all states are *required* to extend Medicaid to some members of poor two-person families even if the state lacks an AFDC-UP program. States must provide Medicaid coverage to all pregnant women and to all children below the age of seven who were born after September 30, 1983 and who live in families that have income below the state's Medicaid income limits and meet other Medicaid eligibility criteria.

- The other 18 states without AFDC-UP have declined to extend Medicaid to two-parent families who are poor enough to meet the state's AFDC eligibility limits. These states are Alabama, Alaska, Arizona, Arkansas, Colorado, Idaho, Indiana, Mississippi, Nevada, New Hampshire, New Mexico, North Dakota, South Dakota, Tennessee, Texas, Utah, Virginia, and Wyoming.

Federal law provides several other options under which states may provide Medicaid to certain categories of poor children and pregnant women whose families do not receive AFDC or AFDC-UP. One such option is known as the **Ribicoff option** (after former U.S. Senator Abraham Ribicoff of Connecticut who sponsored it). Under the Ribicoff option, states can extend Medicaid coverage to all children under 21 who live in families with incomes below the state's Medicaid income eligibility limits. (For families with children, state Medicaid income limits are usually set at or modestly above the income limits that determine eligibility for AFDC.) If a state elects this option, children from both single-parent and two-parent families are covered.

- Thirty-two states have elected the Ribicoff option and extend Medicaid coverage to all children living in families that meet the state's Medicaid eligibility limits.[16] The other 19 states have not elected this option; in these states, most poor children who live in families not receiving AFDC do not qualify for Medicaid.

Another option available to states is known as the **SOBRA option**. ("SOBRA" stands for the Sixth Omnibus Budget Reconciliation Act, the federal legislation passed in 1986 that gave states this new option.) Under the SOBRA option, states can extend Medicaid coverage to all pregnant women and young children not on AFDC or AFDC-UP who live in families with incomes less than or equal to the poverty line.[17] Young children (and pregnant women) from both single-parent and two-parent families are covered if a state elects this option.[18]

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16. States electing the Ribicoff option may cover children up to age 18, age 19, age 20, or age 21. Ten of these 32 states extend Medicaid coverage only to children up to age 18. All but one of the remaining 22 states provides coverage up to age 21.

17. See Endnote B for discussion of the poverty line cutoffs used to determine eligibility under SOBRA.

18. Currently, under the SOBRA option, states can extend Medicaid eligibility to all poor children up to the second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines. Over time, the age limit will be increased further until (by October 1, 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.)

[continued on following page]

- As of January 1, 1988, some 25 states had elected the SOBRA option, while 26 had not.[19]

Still another very significant option permits states to establish a **Medically Needy** component as part of their Medicaid programs. Under the Medically Needy component, a family whose countable income exceeds the state's Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the eligibility limits, becomes eligible for Medicaid. In addition, the Medically Needy option allows states to set Medicaid income limits that are up to one-third higher than the state's maximum benefit for AFDC.[20]

- Thirty-six states have a Medically Needy program; 14 states do not.[21]

In addition, legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

19. Even though California has not adopted the SOBRA option directly, it is counted as electing the option because its Medicaid income eligibility limits are above the poverty guidelines. In Ohio and Illinois, the state legislatures have passed laws authorizing a SOBRA program, but have not yet provided funding for it. As a result, SOBRA has not been implemented in these states and they are *not* counted as having elected the SOBRA option. In addition, the Governor of Alabama is expected to implement the SOBRA option in July 1988, but the state is *not* yet counted as having elected the SOBRA option.

The state of Washington has adopted SOBRA but has set the SOBRA income limit at 90 percent of the poverty line. (States are allowed to set SOBRA income limits anywhere between their Medicaid income eligibility limits and the poverty line.) In all other SOBRA states, the SOBRA income limits will equal 100 percent of the poverty line by the end of 1988.

Minnesota has waived the assets test under the SOBRA option, thus slightly expanding Medicaid eligibility. However, it has not taken the more expansive step of raising income eligibility for Medicaid by adopting the SOBRA income limits. Because the SOBRA Medicaid expansion elected by Minnesota is so small, and because Minnesota has not adopted the SOBRA option to raise the income limits for pregnant women and young children, Minnesota is *not* counted here as a SOBRA state.

20. For a discussion of the relationship between Medically Needy programs and Medicaid income eligibility limits, see Endnote C.

21. Arizona is not included in either category; it has a special state Medically Needy program that differs from the programs in other states.

An examination of all states, the options they have selected, and the Medicaid income eligibility limits they have set shows that large numbers of poor families with children remain ineligible for Medicaid in many states (see Table 4).

- In the median state, the Medicaid income eligibility limit for a three-person family equals 55.7 percent of the poverty line. Only one state (California) has set its income limit at or above the poverty line. In 10 states, the income limits are below 40 percent of the poverty line.

- Some states have elected few if any of the Medicaid options, with the result that Medicaid eligibility is severely restricted in these states. Seven states have adopted *none* of the following key Medicaid options: coverage of two-parent families, coverage of Ribicoff children, SOBRA coverage of pregnant women and young children, and a Medically Needy program. It is worthy of note that these states are *not* concentrated in the South. In fact, only one of these seven states (Alabama) is in the South. The seven states are: Alabama, Colorado, Idaho, Indiana, Nevada, South Dakota, and Wyoming.

The failure of Medicaid to cover many impoverished families with children is particularly noteworthy since a number of health indices in the United States compare unfavorably with those in other industrialized nations. While other factors also play a role here, it is likely that the lack of health care coverage for substantial numbers of Americans living in poverty contributes significantly to this state of affairs.

- In 1985, the U.S. infant mortality rate equaled 10.6 per thousand births. This rate ranks 19th in the world.

- In some states, the infant mortality rate is particularly high. In 18 states, the infant mortality rate in 1985 was equal to or greater than 11.0 per thousand births (see "Tables," Table A9). Six of these states -- Alabama,[22] Georgia, Illinois, Louisiana, Virginia, and Wyoming -- have not selected the SOBRA option for pregnant women and young children.

The Elderly and Disabled

States also have broad discretion and numerous options regarding which low income elderly and disabled people to cover under Medicaid. Among the options states can chose are: 1) to cover all or only some of their SSI recipients under Medicaid; 2) to establish a Medically Needy program for elderly and disabled

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22. The Governor of Alabama is expected to implement the SOBRA option in July 1988.

Table 4. Medicaid Eligibility for Families, 1987

State	Eligibility Limit As Percentage of Three-Person Poverty Line	Cover Two-Parent Families?	Ribicoff Option?	SOBRA for Children & Pregnant Women?	Medically Needy Program for Families?
Alabama	15.6%	no	no	no	no
Alaska	79.3	no	yes	no	no
Arizona	53.0	no	yes	yes	yes
Arkansas	34.1	no	yes	yes	yes
California	112.5	yes	yes	yes	yes
Colorado	55.7	no	no	no	no
Connecticut	82.7	yes	yes	yes	yes
Delaware	41.0	yes	no	yes	no
District of Columbia	64.2	yes	yes	yes	yes
Florida	47.5	yes	yes	yes	yes
Georgia	46.3	yes	yes	no	yes
Hawaii	56.5	yes	no	no	yes
Idaho	40.2	no	no	no	no
Illinois	60.6	yes	yes	no	yes
Indiana	38.1	no	no	no	no
Iowa	57.3	yes	yes	no	yes
Kansas	61.5	yes	yes	no	yes
Kentucky	35.3	yes	no	yes	yes
Louisiana	30.8	yes	no	no	yes
Maine	73.8	yes	yes	no	yes
Maryland	55.2	yes	yes	yes	yes
Massachusetts	87.1	yes	yes	yes	yes
Michigan	71.4	yes	yes	yes	yes
Minnesota	93.8	yes	yes	no	yes
Mississippi	48.7	no	yes	yes	no
Missouri	37.3	yes	yes	yes	no
Montana	54.0	yes	yes	no	yes
Nebraska	59.5	yes	yes	no	yes
Nevada	37.7	no	no	no	no
New Hampshire	64.3	no	no	no	yes
New Jersey	74.9	yes	yes	yes	yes
New Mexico	34.9	no	no	yes	no
New York	81.6	yes	yes	no	yes
North Carolina	46.3	yes	yes	yes	yes
North Dakota	57.6	no	yes	no	yes
Ohio	40.9	yes	yes	no	no
Oklahoma	62.3	yes	yes	yes	yes
Oregon	72.6	yes	no	yes	yes
Pennsylvania	56.2	yes	yes	yes	yes
Rhode Island	83.8	yes	yes	yes	yes
South Carolina	51.3	yes	yes	yes	no
South Dakota	48.4	no	no	no	no
Tennessee	46.7	no	yes	yes	yes
Texas	35.3	no	yes	no	yes
Utah	91.7	no	yes	no	yes
Vermont	99.2	yes	yes	yes	yes
Virginia	47.4	no	no	no	yes
Washington	76.1	yes	no	yes	yes
West Virginia	38.4	yes	no	yes	yes
Wisconsin	84.8	yes	yes	no	yes
Wyoming	47.6	no	no	no	no

Source: Center on Budget and Policy Priorities, Children's Defense Fund, House Ways and Means Committee, and the National Governors Association.

people;[23] and 3) to elect another SOBRA option, under which elderly and disabled people not on SSI can be covered by Medicaid if their incomes fall below the poverty line. The selection of the latter two options can be especially important since only about one of every four elderly poor households receives SSI.

- Fourteen "209-B" states fail to extend Medicaid eligibility to all of their SSI recipients.[24] This practice constitutes a major exception to the general rule that AFDC or SSI recipients are automatically eligible for Medicaid.[25] These 14 states are: Connecticut, Hawaii, Illinois, Indiana, Minnesota, Missouri, Nebraska, New Hampshire, North Carolina, North Dakota, Ohio, Oklahoma, Utah, and Virginia.

- Thirty-four states have a Medically Needy program that covers elderly and disabled people; 16 states do not.[26]

- Only four jurisdictions -- the District of Columbia, Florida, New Jersey, and Rhode Island -- have selected the SOBRA option under which elderly and disabled people who are not on SSI but are still below the poverty line are covered under Medicaid.[27]

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23. The Medically Needy program for elderly and disabled people works in a fashion similar to the Medically Needy program for families with children. Under the Medically Needy program, an elderly or disabled household whose countable income exceeds the state's Medically Needy income eligibility limits, but whose medical expenses are so large that its remaining income after medical expenses are deducted falls below the eligibility limits, becomes eligible for Medicaid.

24. These 14 states are called "209-B" states after the section of federal law that permits states to adopt Medicaid eligibility criteria that are more restrictive than the criteria used for SSI eligibility.

25. Another exception applies to some states with state SSI supplements. In 1986, of the 27 states that provided state SSI supplements, only the District of Columbia, Nevada, Oklahoma, South Dakota, Utah and Wyoming decided *not* to extend Medicaid eligibility to elderly people who received only the state SSI supplement.

26. Arizona has a special state Medically Needy program that differs from the Medically Needy program in other states; Arizona is not included here. Two states, Georgia and Texas, have a Medically Needy program for families with children but not for the elderly and disabled. In the 34 states with a Medically Needy program for elderly and disabled people, the median income eligibility limit for an elderly individual is 78 percent of the poverty line.

27. Under the SOBRA option, states may set income limits up to the poverty line, but they can also set income limits below the poverty line. In Florida, elderly and disabled people not on SSI are eligible if their incomes fall below 90 percent of the poverty line; in the District of Columbia, New Jersey, and Rhode Island, elderly and disabled people with incomes up to the poverty line are covered.

State Medicaid income eligibility thresholds for the elderly and disabled vary widely (and depend to some degree on whether the state pays SSI supplements, whether the state has a Medically Needy program, and whether the state has elected the SOBRA option). But in total, only eight jurisdictions (Alaska, California, Connecticut,[28] the District of Columbia, Massachusetts, New Jersey, Rhode Island, and Vermont) have a Medicaid income eligibility threshold for elderly and disabled individuals equal to or above the poverty line. In the other 43 states, Medicaid income limits for elderly and disabled people are set below the poverty line, rendering ineligible some of the elderly and disabled poor (see "Tables," Table A10).

Census data show that nationwide only about one-third of the elderly poor are covered by Medicaid.

Medicaid Service Options

Another set of key Medicaid decisions made by the states are decisions concerning which medical services to cover. These decisions affect both families with children and elderly and disabled people.

While the federal government requires that certain medical services be covered for Medicaid recipients, the states themselves determine whether none, some, or all of 32 other medical services and items (such as emergency hospital services, dentures, and eyeglasses) are covered. In 1986:

- In the median state, 21 of these 32 optional services were covered. Coverage varied widely among states. For example, Wyoming covered just nine of the optional services, Mississippi just 10 (see "Tables," Table A11).

- In seven states (Georgia, Louisiana, Missouri, North Carolina, Oklahoma, Rhode Island, and Wyoming), Medicaid did not pay for emergency hospital services.

- In 10 states, Medicaid did not cover dental services; in 15 states, it did not cover dentures.

- In six states (Delaware, Idaho, Pennsylvania, South Dakota, Virginia, and Wyoming), Medicaid did not pay for eyeglasses for poor children, for elderly or disabled people, or for other Medicaid recipients.

Singles and Childless Couples

Poor single people and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. These households may receive some health care assistance through local charities or state or county programs for the indigent, but often they receive little or no health care assistance at all.

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28. Connecticut, however, is one of the 14 "209-B" states that does not extend Medicaid to all of its SSI recipients.

OTHER PROGRAMS AND POLICIES

Unemployment insurance, low income housing programs, the low income energy assistance program, and the Supplemental Food Program for Women, Infants, and Children (known as the "WIC" program), all have substantial effects on the poor. So do the tax policies set by states.

States have wide leeway in establishing eligibility guidelines and benefit levels for the unemployment insurance program and can set up their tax systems as they choose. In the other three areas mentioned above, federal decisions about the level and distribution of funding are the primary determinants of the adequacy of the programs in a state. States can, however, choose to supplement the federal efforts in these three areas.

Unemployment Insurance

While the federal government sets broad guidelines for the basic unemployment insurance program, most of the key decisions concerning eligibility criteria and benefit levels are made by the states. For example, states determine how long workers must have been employed and how much workers must have earned before they are eligible for unemployment benefits. In recent years, many of the states have tightened eligibility requirements. In addition, the federal government severely tightened eligibility requirements for the program that provides additional weeks of unemployment insurance to the long-term unemployed.

Partly as a result of these retrenchments, the percentage of unemployed workers receiving unemployment insurance benefits has fallen to a new record low in each of the past three years. Fewer than one of every three jobless workers now receive unemployment insurance benefits in an average month.[29]

- In 26 states, fewer than one of every three unemployed people received unemployment insurance benefits in 1986. In only three states did more than half of the unemployed receive benefits (see "Tables," Table A12).

- In 11 states, fewer than one of every four unemployed people received unemployment insurance benefits in 1986.

- In 39 states, the percent of the unemployed receiving unemployment insurance was lower in 1986 than in 1979, years at similar points in the economic cycle (see "Tables," Table A13).

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29. Nationwide, the percentage of unemployed people receiving unemployment insurance benefits fell to an historic low of 31.5 percent in 1987, breaking the previous historic low of 32.7 percent in 1986. By contrast, in 1978, when the unemployment rate was similar to its 1987 level, the percentage of the unemployed receiving unemployment benefits was 43 percent. In addition, the coverage rate was 50.4 percent in 1980 and 75.5 percent in 1975, although these were recession years when coverage rates generally are somewhat higher.

Even in states with high unemployment rates, only a small proportion of the unemployed received benefits.

- Louisiana had the highest state unemployment rate in the nation in 1986 (13.1 percent), but just 36.1 percent of its unemployed received benefits.

- West Virginia had the second highest unemployment rate (11.8 percent), but only 27.1 percent of its unemployed received benefits.

- In Texas, Ohio, and Michigan -- all very populous states -- the unemployment rate was between eight and nine percent, but the percentage of unemployed persons receiving unemployment insurance ranged only from 23.0 percent in Texas to 28.1 percent in Ohio and 28.5 percent in Michigan.

The erosion of the unemployment insurance system is of particular significance for poor individuals and families in states where the safety net is limited in other ways as well (see Table 5).

- In 17 of the 26 states in which fewer than one of every three of the jobless received unemployment insurance benefits in 1986, there is no AFDC-UP program for poor two-parent families with an unemployed worker.

- In 24 of these 26 states, there is no state general assistance program covering impoverished people who are neither elderly nor disabled.

As a result, in many of the states with especially low unemployment insurance coverage, unemployed single people as well as childless couples or two-parent families with an unemployed worker are unlikely to receive cash assistance from any level of government, no matter how poor they may be.

State Taxes

Examinations of government anti-poverty policies are incomplete if they do not examine the tax burdens placed on those who are poor. Taxes reduce the income that poor households have to spend on rent, food, heat, and other necessities.

State and local tax burdens on low-income households are substantial. Even before the federal Tax Reform Act of 1986, state and local taxes constituted a significantly heavier burden on the poor than did federal taxes. One recent study of the tax system in two states found that even before federal tax reform, poor families in these states paid 10 times as much in state and local income and sales taxes and local property taxes as they paid in federal income and payroll taxes.

State and local tax systems are generally burdensome for low income households because these tax systems are regressive. In virtually every state, state and local taxes consume a larger percentage of the income of low and moderate income people than of the income of more affluent people.

Table 5. Cash Assistance Coverage in States Where Fewer Than One-Third of Unemployed Receive Unemployment Insurance

	Unemployment Insurance Coverage (1986)	AFDC-UP?	State General Assistance for Nonelderly and Nondisabled?
Alabama	23.6%	no	no
Arizona	23.0	no	no
Arkansas	29.7	no	no
Colorado	26.7	no	no
Florida	18.3	no	no
Georgia	25.1	no	no
Illinois	30.4	yes	no
Indiana	24.4	no	no
Iowa	29.5	yes	no
Kentucky	24.5	no	no
Michigan	28.5	yes	yes
Mississippi	23.4	no	no
Montana	31.9	yes	no
Nebraska	32.4	yes	no
New Hampshire	22.8	no	no
New Mexico	27.5	no	no
North Carolina	29.5	yes	no
Ohio	28.1	yes	yes
Oklahoma	27.6	no	no
South Carolina	28.3	yes	no
South Dakota	21.0	no	no
Tennessee	24.7	no	no
Texas	23.0	no	no
Utah	31.7	no	no
Virginia	16.6	no	no
West Virginia	27.1	yes	no

Source: Compiled by Center on Budget and Policy Priorities from various sources.

To ascertain how regressive and burdensome state and local tax codes are on the poor in a particular state, a number of factors can be examined. These include the extent to which a state raises its revenues through income taxes (in most states, income taxes are the only major source of taxation that is progressive rather than regressive), whether states impose income taxes on households below the poverty line, how high state and local sales tax rates are, whether food and utilities are exempted from the sales tax, whether the state has a sales tax relief program for poor people, and whether the state provides property tax relief to its low income population.

In 1986, approximately 38 percent of all state tax revenues were collected from individual and corporate income taxes. About half of state tax revenues were collected from general and selective sales taxes, which tend to be highly regressive (see "Tables," Table A14). By contrast, the federal government collects more than half -- about 56 percent -- of its revenue from individual and corporate income taxes.

Table 6. Sources of State Tax Revenues, 1986

Individual Income Tax	29.6%
Corporation Net Income Tax	8.1
General Sales Taxes	32.8
Selective Sales Taxes	16.5
License Taxes	6.5
Other Taxes	6.6

Source: U.S. Department of Commerce.

Income Taxes

As noted, individual and corporate income taxes tend to be the one major form of state taxation that is *not* regressive, but many states collect little revenue from these sources.

- Some 10 states (Alaska, Connecticut, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming) have no broad-based individual income taxes.[30]

- Of the 41 states with a broad-based individual income tax, 26 collected less than one-third of their tax revenue from this source in 1986. Eight states (Arizona, Louisiana, Mississippi, New Jersey, New Mexico, North Dakota, Oklahoma, and Pennsylvania) collected less than one-fourth.

- Nevada, Texas, Washington, and Wyoming did *not* have a corporate income tax; only seven states collected more than 10 percent of their tax revenue from this source.

- Even when individual and corporate income taxes are combined, just six states collected more than half of their revenue from these sources.

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30. Alaska and Wyoming both collect substantial portions of their revenues from severance taxes on natural resource production. These severance taxes are not directly burdensome to the poor. Connecticut, New Hampshire, and Tennessee impose taxes on "unearned" income such as dividends, interest, and/or capital gains, but less than 10 percent of state tax revenue is collected through such taxes in each of these states.

Table 7. States Where Four-Person Families With $10,000 Incomes Pay More Than $100 in State Income Taxes, 1988

	Income Level At Which Four-Person Family Begins Owing Tax	State Income Tax for Four-Person Family With $10,000 Income*
Alabama*	$4,400	$156
Arkansas	5,600	130
Hawaii	5,900	116
Illinois	4,000	150
Indiana*	4,000	204
Iowa	7,500	144
Kansas	6,000	115
Kentucky*	4,300	281
Michigan*	7,200	129
Montana	6,500	109
New Jersey	4,000	120
North Carolina	4,300	252
Pennsylvania*	8,000	211

Source: Calculated by Center on Budget and Policy Priorities.

*In some of these states, notably Alabama, Indiana, Kentucky, Michigan and Pennsylvania, poor households with earnings may also be subject to substantial *local* income or wage taxes. For example, Philadelphia has an especially high local wage tax, equal to 4.96 percent of wages without any deductions or exemptions; thus, a four-person family in Philadelphia with earnings equal to $10,000 would pay $496 in local wage taxes in addition to $211 in state income taxes. The total state and local income tax burden for such a family would equal $707.

Moreover, a majority of the states that have individual income taxes have failed to follow the federal lead of removing working poor families from the income tax rolls. In some of those states, working poor families must pay substantial amounts of individual income tax.

- In 28 of the 41 states with income taxes, some working families of four with incomes below the poverty line must pay state income tax in 1988 (see "Tables," Table A15).

- In 10 states (Alabama, Arkansas, Hawaii,[31] Illinois, Indiana, Kansas, Kentucky, New Jersey, North Carolina, and Virginia), the income level

31. In Hawaii, these levels do not take into account credits that low-income households normally would receive and that would raise the tax threshold and reduce the tax liability of these households.

at which working families of four must begin paying income taxes is set below *half* of the poverty line.

- In 21 states, the income level at which these families begin to owe income tax is set below 75 percent of the poverty line.

- In addition, there are 13 states in which a four-person family earning $10,000 (which is more than $2,200 below the poverty line in 1988) must pay more than $100 in state income taxes.

General Sales Tax

Sales taxes are regressive because the poor generally spend large portions of their incomes on items subject to sales tax, while more affluent people generally spend a somewhat smaller portion of their incomes on consumable items (and often are able to save or invest some of their incomes). Forty-six states have a general sales tax (see Table 8).

- Among the states with a general sales tax, the median state sales tax rate is five percent. Nine states have sales tax rates of six percent or greater.[32]

- Twenty-three states collected more than one-third of their state tax revenues from the general sales tax in 1986. Florida, Hawaii, Mississippi, Tennessee, and Washington collected the majority of their state tax revenues from the general sales tax.

The burden of the sales tax on poor households can be partially relieved if a state exempts essential purchases from taxation. Even with these exemptions, however, the sales tax usually remains highly regressive.

- In 1986, some 29 states exempted most grocery store food purchases from taxation, but 17 did not. Thirty-two states exempted utilities, but 14 did not.

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32. These jurisdictions are Connecticut (7.5 percent), the District of Columbia (6.0), Minnesota (6.0), Mississippi (6.0), New Jersey (6.0), Pennsylvania (6.0), Rhode Island (6.0), Texas (6.0), and Washington (6.5). In addition, in 29 states, some or all localities impose local sales taxes. When local and state sales taxes are both considered, the combined sales tax rate exceeds six percent in a larger number of jurisdictions.

Table 8. State Sales Tax, Major Features, 1987

	Sales Tax Rate	Exemptions: Consumer Electric and Gas Utilities	Exemptions: Food	Low Income Sales Tax Credit
Alabama	4.0%	no	no	no
Alaska	no sales tax			
Arizona	5.0	no	yes	no
Arkansas	4.0	yes*	no	no
California	4.8	yes	yes	no
Colorado	3.0	yes	yes	no
Connecticut	7.5	yes	yes	no
Delaware	no sales tax			
District of Columbia	6.0	no	yes	no
Florida	5.0	yes	yes	no
Georgia	3.0	no	no	no
Hawaii	4.0	no	no	yes
Idaho	5.0	yes	no	yes
Illinois	5.0	no	yes	no
Indiana	5.0	no	yes	no
Iowa	4.0	no	yes	no
Kansas	4.0	yes	no	yes
Kentucky	5.0	yes	yes	no
Louisiana	4.0	yes	yes	no
Maine	5.0	yes	yes	no
Maryland	5.0	yes	yes	no
Massachusetts	5.0	yes	yes	no
Michigan	4.0	no	yes	no
Minnesota	6.0	yes	yes	no
Mississippi	6.0	no	no	no
Missouri	4.2	yes	no	no
Montana	no sales tax			
Nebraska	3.5	no	yes	no
Nevada	5.8	yes	yes	no
New Hampshire	no sales tax			
New Jersey	6.0	yes	yes	no
New Mexico	4.8	no	no	yes
New York	4.0	yes	yes	no
North Carolina	3.0	yes	no	no
North Dakota	5.5	yes	yes	no
Ohio	5.0	yes	yes	no
Oklahoma	4.0	yes	no	no
Oregon	no sales tax			
Pennsylvania	6.0	yes	yes	no
Rhode Island	6.0	yes	yes	no
South Carolina	5.0	yes	no	no
South Dakota	5.0	no	no	yes
Tennessee	5.5	yes	no	no
Texas	6.0	yes	yes	no
Utah	5.1	yes	no	no
Vermont	4.0	yes	yes	yes
Virginia	3.5	yes	no	no
Washington	6.5	yes	yes	no
West Virginia	5.0	yes	yes	no
Wisconsin	5.0	yes	yes	no
Wyoming	3.0	no	no	yes
U.S. Median Rate	5.0	---	---	---
Number with provision	46	32	29	7

Source: Advisory Commission on Intergovernmental Relations, *Significant Features of Fiscal Federalism*, 1987; National Association of State Budget Officers and National Governor's Association, *Fiscal Survey of the States*, September 1987.

*Arkansas is only one of many states where state sales tax exemptions are limited in scope. Arkansas exempts the first 500 kilowatt hours of electricity per month for residential customers whose incomes are not more than $12,000 per year.

There is one additional and very important action states can take to ease the regressivity of sales taxes and provide significant low income sales tax relief. This action consists of establishing a low income sales tax rebate, in which the state provides a rebate check (or a credit against income tax liabilities) to poor households to defray a portion of the sales taxes these households have paid. Low income sales tax rebates generally have only a modest cost. Currently, however, only seven states (Hawaii, Idaho, Kansas, New Mexico, South Dakota, Vermont, and Wyoming) have a sales tax rebate program.[33]

Property Taxes

Property taxes, which comprise nearly $3 of every $4 of *local* taxes raised, tend to be the most burdensome of all taxes on poor households. Both homeowners and renters pay property taxes. Landlords generally pass along most or all of their property taxes to renters in rental charges.

Government efforts to ease the burden of the property tax on low-income households occur primarily at the state level because localities usually cannot afford to ease this burden. The most common form of state low income property tax relief is known as a "circuitbreaker" program.[34] Under most circuitbreaker programs, a low income household is eligible for property tax relief when property taxes exceed a certain percentage of the household's income. Qualifying households are sent a check in the amount of their circuitbreaker benefit.[35]

Circuitbreaker programs can provide relief to low income renters as well as to low income homeowners. In a typical circuitbreaker program, a specified percentage of a poor household's annual rent payments (usually between 15 and 25 percent) is considered to represent property taxes "passed through" to the tenant by the landlord.

Circuitbreakers often provide substantial property tax relief. Typical circuitbreaker benefits are several hundred dollars. However, there are major limitations on most state circuitbreaker programs. These programs are often tightly restricted and not available to many of the poor. The most significant restriction is the practice in many states of limiting the circuitbreaker to the

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33. In South Dakota and Wyoming, the program is limited to the elderly and disabled. Kansas limits the program to elderly and disabled households and families with children. In all of these seven states except Idaho, the sales tax relief program is targeted in whole or in part on low income households.

34. The circuitbreaker's name derives from an analogy to an electrical circuitbreaker that shuts off the flow of electricity when the system becomes overloaded. In a similar fashion, property tax circuitbreakers are designed to provide tax relief when property tax burdens overload those with low incomes.

35. In some states, low-income households that owe state income tax have their circuitbreaker benefit subtracted from their income tax. If any part of the circuitbreaker benefit remains after their income tax liability is reduced to zero, the households are sent a check for the remaining amount.

elderly and disabled. This restriction denies property tax relief to poor families with children and other households with low incomes.

- Thirty-one states have circuitbreaker programs; 20 states do not (see "Tables," Table A16).

- Of the 31 states that have circuitbreakers, 21 restrict eligibility to elderly (or elderly and disabled) households.

- Twenty-five of the 31 states cover both renters and homeowners. However, six states restrict eligibility only to homeowners. All six of these states are also among those that restrict their circuitbreakers to the elderly or disabled. (The six states are Arkansas, Idaho, Nebraska, Ohio, Oklahoma, and South Dakota.)

- Ten states have broad circuitbreaker programs that include those who are not elderly or disabled and that cover both renters and homeowners.[36]

Housing

Federally funded programs are the primary means of government housing assistance for the poor. There are two general types of federal low-income housing programs: publicly owned housing and rental subsidies for low-income households living in private housing. Residents in both the public housing and subsidized rental housing programs generally pay 30 percent of their incomes in rental charges.

Unlike a number of other major low-income assistance programs such as AFDC, SSI, and Medicaid, the housing programs are not entitlement programs. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. As a result of funding levels that are low relative to the need, only a small portion of those eligible for housing assistance actually receive benefits. Many urban areas have multi-year waiting lists of poor households who are eligible for assistance but cannot be served due to funding limitations.

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36. These 10 jurisdictions are the District of Columbia, Kansas, Maine, Maryland, Michigan, Minnesota, New York, Oregon, Vermont, and Wisconsin. The Kansas circuitbreaker has an interesting structure: it covers the elderly (defined as age 55 and over), the disabled and families with children. The Maryland circuitbreaker covers homeowner and renters who are elderly or disabled, while householders who are neither elderly nor disabled must be homeowners to qualify. In New York, the maximum circuitbreaker benefit is substantially higher for elderly households than for other low income households. (The maximum benefit is $375 for the elderly, but is only $75 for other low income households.) In Oregon, the maximum benefit is higher for homeowners than for renters.

- In 1983, some 12.7 million renter households were classified by the U.S. Department of Housing and Urban Development as "very low income"[37] (1983 is the latest year for which this figure is available).

- Yet in 1987, federal low-income housing assistance reached a total of no more than 4.2 million households, some of which were not "very low income" households.[38]

- If all households receiving federal housing assistance had been "very low-income," then only 33.1 percent of all very low income renter households nationwide would have received assistance.[39] Since some households getting aid were not "very low-income," the 33.1 percent figure overstates the true percentage of "very low-income" renters actually receiving assistance.

In no state does the level of housing assistance come close to meeting the number of very low-income reater households. Variation among the states is primarily the result of federal allocation decisions, rather than of state decisions.

- In only two states, Alaska and Rhode Island, did the number of households receiving housing assistance in 1985 exceed half of the number of very low-income renters (see "Tables," Table A17).

- In eight states (Arizona, California, Colorado, Florida, Idaho, Oregon, Utah, and Wyoming), the number of households receiving rental assistance totalled less than one-quarter of the number of very low-income renters.

There are some households that are able to secure affordable housing that is not federally subsidized, but they constitute only a modest fraction of the poor households not receiving federal housing assistance. Data compiled by the Low Income Housing Information Service, based on Census reports, show that the number of *all* rental units available nationwide (both subsidized and unsubsidized) that would be affordable for very low income renter households (i.e., that rent for no more than 30 percent of such households' incomes) is only about *half* of the number of very low income renter households in the nation. (This measure uses the affordability standard developed by the U.S. Department of Housing and Urban Development; the Department considers housing affordable for a low income households if the housing consumes no more than 30 percent of the household's

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37. These households had incomes less than 50 percent of the median income of the area in which they live.

38. The HUD estimate of 4.2 million subsidized rental units is higher than the latest data from the Census Bureau, whose March 1987 Current Population Survey found 3.8 million households living in federally subsidized units.

39. The 33.1 percent figure was calculated using the 1983 measure of "very low-income" households and the 1987 measure of households receiving assistance. Thus the assumption was made that the number of "very low-income" households did not change substantially from 1983 to 1987.

income.) Moreover, many of these low rent units are rented by households who are not in the "very low income" category. As a result, the actual low income housing shortage is substantially greater than these numbers would indicate.

The data compiled by the Low Income Housing Information Service also show that the number of very low income renter households exceeds the number of units that are affordable for these households in every state in the nation. In most states, the low income housing gap is very large (see "Tables," Table A18).[40]

These and other data strongly suggest the presence of a growing housing crisis for low-income households. The large homeless population in some areas of the country is one visible sign of this crisis.

The severity of the problem is further illustrated by data from the 1983 Annual Housing Survey, published by the Census Bureau (1983 is the latest year for which the survey has been published). It shows that in 1983, approximately half of all renter households in the United States with incomes below $7,000 a year were paying *at least 60 percent of their income* for rent and utilities. It also shows that in just eight years, from 1975 to 1983, the number of low income households spending at least half of their income on rent and utilities rose 70 percent (or by 2.6 million households). This indicates that the low income housing shortage is growing at a rapid pace.

In addition, the Census data also reveal that in 1983, more than one of every four renter households in the nation with incomes below $5,000 lived in housing that was structurally inadequate.

While the federal government has been the major player in providing government housing assistance, the rather extraordinary dimensions of the low rent housing shortage -- coupled with the large federal budget deficit -- mean that state supplemental efforts are likely to be necessary to deal with this problem in the years ahead. A few states currently provide such assistance, but so far the size and scope of these efforts have been dwarfed by the size of the low rent housing shortfall.

For example, Massachusetts has one of the nation's largest state housing programs, having just passed a $404.6 million housing bond issue that will eventually finance approximately 8,000 low and moderate income housing units. Nevertheless, this program is still small relative to the shortage of 142,000 low-rent units in Massachusetts, as estimated by the Low Income Housing Information Service.

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40. Endnote D discusses in more detail the data compiled by the Low Income Housing Information Service.

Energy Assistance

The federal low income energy assistance program is important to poor households because a high proportion of their income goes to energy expenditures. In 1986, the average low-income household eligible for energy assistance spent 15.1 percent of its income on home energy expenditures. This was nearly four times the average proportion of income (3.9 percent) spent by all U.S. households on such costs.

The federal low income energy assistance program was created in the late 1970s in conjunction with federal decisions to deregulate oil prices and the large OPEC oil increases of that period. The program helps offset a portion of the increased heating and other energy bills of low income households and was intended by its framers in the Carter Administration to be funded at a $2.6 billion annual level by fiscal year 1981.

Due to budget cuts in the intervening years, however, the program is now (in fiscal year 1988) funded at a $1.5 billion level, and further cuts have been proposed for fiscal year 1989. Data from the U.S. Department of Health and Human Services indicate that the program now covers less than one-fifth of the heating and cooling costs of all low income households eligible for assistance under federal guidelines (see "Tables," Table A19).

As a result, the need for state intervention in this area is likely to grow in the years ahead. Several states have low income energy assistance programs, although they tend to be small. Some states -- including Illinois, Ohio, Rhode Island, and Wisconsin -- currently operate "Percentage of Income Payment Plans" in which low-income households pay a set percentage of their home energy costs in return for continued supply.[41]

In one of the most promising approaches, the Rhode Island program is integrated with the federal low-income energy assistance program and uses the same income eligibility criteria. On a monthly basis, households pay a fixed percentage of their income -- ranging from four percent to eight percent depending on household size and income -- towards their primary heat source and for non-heat energy usage. In turn, as long as these payments are made, their utility service is assured. This program currently operates only in Warwick, Rhode Island.

The WIC Program

The WIC program provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. The recipients must be both low-income and nutritionally at risk. Medical evaluations have found WIC to be effective in reducing infant mortality, low birthweight, anemia, and other health problems. However, federal funding levels are insufficient for many of the eligible women and children to participate.

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41. See "Development and Implementation of the Percentage of Income Plan Concept by the States," National Consumer Law Center, Washington, D.C., February 17, 1988 for a detailed description of these programs.

Nationwide, fewer than half (about 45 percent) of WIC eligibles are served under the program (see "Tables," Table A20).[42]

States can provide funds to supplement federal WIC funds and thereby to reach more of those who are eligible. At the beginning of 1988, 11 states were supplementing the WIC program, although in two of these states, the state funds are being used solely for administrative costs. (These 11 jurisdictions are: the District of Columbia, Illinois, Indiana, Massachusetts, Michigan, Minnesota, New York, Pennsylvania, Texas, Washington, and Wisconsin; in Michigan and Washington the funds are for administrative costs only.) Of these 11 states, about half provided state funds for the first time in 1986 or 1987. Thus, the provision of state funds for WIC may be a growing trend.

Finally, in recent months several states have instituted more economical ways of obtaining infant formula products used in their WIC programs, so that WIC dollars can be stretched to serve more participants. For example, by using competitive bidding to secure a single brand of infant formula at the lowest price, Texas is saving $1.00 a can (more than 60 percent off) on infant formula, which will enable it to save at least $35 million a year and add close to 100,000 new participants to the program. A number of other states are now considering methods of securing large savings in WIC infant formula costs; substantial savings in this area should now be available to virtually any state that pursues this matter.

42. This figure is based on the average number of WIC recipients in fiscal year 1987 and an estimate of the number of WIC eligibles in 1984. This estimating procedure is necessary because the most recent estimate for the number of WIC eligibles in the nation is for 1984. For more details on the estimating procedure, see Endnote E.

III. Anti-Poverty Impact of Government Benefit Programs

As the information in the preceding chapters indicates, state safety nets are limited in various ways. Moreover, in certain key areas such as AFDC and unemployment insurance, the safety nets have weakened in recent years. The effects of these limitations -- especially for families with children -- are reflected in recent Census data showing that only a small fraction of poor families with children are now lifted out of poverty by government benefit programs. The Census data also reveal that benefit programs are now lifting a significantly smaller proportion of families with children out of poverty than in the past.

The Census data for 1986 (the last year for which these data are available) show:

- Only one of every nine families with children who otherwise would have been poor (11 percent of these families) was lifted out of poverty by federal, state, and local cash assistance benefits such as AFDC, general assistance, Social Security, and unemployment insurance.

- The anti-poverty impact of these programs was much lower in 1986 than it had been in 1979, the first year for which these Census data were collected. In 1979, nearly one of every five families with children who would otherwise have been poor (19 percent of these families) was lifted out of poverty by cash assistance programs.[43]

43. Even if the value of non-cash benefits such as food stamps and Medicaid are counted as income when poverty is measured (they are not counted in the government's official estimate of the poverty rate), only a shrinking minority of families with children who would otherwise be poor are lifted out of poverty. For example, under one of the several methods Census uses to compute the value of non-cash benefits, only 24 percent of these families with children were lifted out of poverty by cash and non-cash programs in 1986. Using this same methodology, a substantially higher proportion (38 percent) of these families were lifted out of poverty by these programs in 1979.

- In 1979, cash benefit programs *other than* Social Security (including AFDC, SSI, and unemployment insurance) lifted out of poverty 9.6 percent of the families with children who were poor after all other income and any Social Security benefits were counted. In 1986, these programs lifted only 5.3 percent of these families out of poverty.

The decline in the proportion of poor families lifted out of poverty by government programs is, in substantial part, related to the erosion of benefits and coverage in a number of government programs. AFDC and unemployment insurance benefits both declined in value from 1979 to 1986.

- Maximum AFDC benefits for a family of four with no other income fell 18.5 percent during this period in the typical (or median) state, after adjusting for inflation.

- A much lower proportion of poor children are on AFDC now than in 1979. From 1979 to 1986, the number of children living in poverty increased from 9.9 million to 12.7 million, while the number of children on AFDC remained essentially unchanged. Some 7.2 million children were on AFDC in 1979 as compared to 7.3 million children on AFDC in 1986. Thus, in 1979 there were 73 children receiving assistance through AFDC for every 100 children living in poverty, but by 1986, there were just 57 children receiving AFDC assistance for every 100 who were poor.

- The percentage of unemployed workers receiving unemployment insurance fell from 42 percent in 1979 to 33 percent in 1986.

An examination of program changes and poverty trends in the early 1980s provides further evidence of the relationship between the decline in government assistance programs and the diminished anti-poverty effectiveness of these programs.

- The greatest declines in AFDC benefits appear to have occurred during the period of highest inflation in 1979 and 1980. Not surprisingly, the data show that one of the two largest year-to-year drops in the anti-poverty impact of government benefit programs on poor families came between 1979 and 1980.

- The other largest year-to-year drop came between 1981 and 1982, precisely the period when the large federal budget cuts enacted in 1981 took effect. (AFDC and unemployment insurance were among the programs reduced by the 1981 legislation.)

In some states, the anti-poverty impact of government programs is far below the average impact nationwide. This is true in many states where, for example, AFDC benefit standards are set at very low levels, the basic federal SSI benefits for the elderly and the disabled are not supplemented by the state, and there are highly restrictive Medicaid programs.

Indiana is an example of a state where households are unlikely to be raised out of poverty by government programs. Maximum AFDC benefits for a three-

person family without other income equal only 38.1 percent of the poverty line. This percentage also is the cutoff point for Medicaid eligibility. The state does not supplement the basic federal SSI grant. There are no state standards for the provision of general cash assistance. And the Hoosier state has adopted none of the key Medicaid options that can provide broader coverage to needy groups than the minimum required under federal law.

IV. Are the Safety Nets Adequate?

Do the 51 state safety nets meet a test of reasonable adequacy? To help consider this question, we have constructed a set of 10 standards against which the safety nets can be tested. It is within the authority of the states to meet each criterion, with the possible exception of the standard for unemployment insurance coverage.

The standards used here do not require especially generous levels of support. For example, one standard is a maximum AFDC benefit level equal to half the poverty line, a rather modest level. Another standard is a Medicaid income eligibility limit equal to 75 percent of the poverty line. A higher Medicaid standard set at 100 percent of the poverty line can certainly be justified, but the standards applied here are designed to be modest.

SAFETY NET ADEQUACY STANDARDS

(1) Maximum AFDC benefits for three-person families equal to or greater than half the poverty line (19 states meet this standard).

(2) AFDC benefits provided to two-parent families (28 states).

(3) SSI payments supplemented by more than the minimal amount of $15 per month for an individual, which brings total SSI benefits up to 78 percent of the poverty line for an elderly individual (21 states).

(4) A state general assistance program not restricted solely to disabled and elderly individuals (8 states).

(5) A Medicaid income eligibility limit for a three-person family equal to or greater than 75 percent of the poverty line (11 states).

(6) Adoption of the SOBRA option making all pregnant women and young children in poverty eligible for Medicaid (25 states).

(7) **Adoption of a Medicaid Medically Needy program for both families with children and for elderly and disabled people (35 states).**[44]

(8) **At least two-fifths of the unemployed receiving unemployment insurance (8 states).**

(9) **At least 40 percent of state revenue collected through income taxes (16 states).**

(10) **A property tax circuitbreaker that is not restricted to households with an elderly or disabled person (10 states).**[45]

Even though this test uses relatively modest standards, Table 9 indicates that the vast majority of states do not pass it, and many states fail by a wide margin. (See "Tables," Table A21 for the test results for all states.)

- No state meets all 10 standards.
- Thirty states meet three or fewer criteria.
- Four states meet none of the criteria, while another seven states achieve only one of the 10 standards. Of these 11 states, six are outside the South.
- Less wealthy states generally score lower on the test than other states, but even some relatively wealthy states fare poorly. For example, Colorado, Florida, Nevada, Ohio, and Virginia all have above-average levels of per capita income, but meet two or fewer standards.
- Only 13 states meet more than half of these criteria. Of these, Oregon and Washington meet six criteria; Connecticut, New Jersey, Pennsylvania, Vermont, and Wisconsin meet seven; California, Michigan, Minnesota, New York, and Rhode Island meet eight; and Massachusetts meets nine.

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44. Arizona is counted as meeting this standard. As previously noted, although it does not have a federal Medically Needy program, it has a special state program instead.

45. One of these 10 states is Maryland, even though its circuitbreaker covers nonelderly homeowners but not nonelderly renters.

Table 9. States Meeting Three or Fewer Standards

Zero Standards	One Standard	Two Standards	Three Standards
Alabama*	Georgia	Arizona	Hawaii
Indiana**	Louisiana	Arkansas	Illinois
South Dakota	Mississippi	Colorado	Nebraska
Texas	Nevada	Florida	New Hampshire
	New Mexico	Idaho	Oklahoma
	North Dakota	Kentucky	West Virginia
	Wyoming	Missouri	
		Montana	
		Ohio	
		South Carolina	
		Tennessee	
		Utah	
		Virginia	

*As mentioned before, Alabama is expected to implement the SOBRA option in July 1988, but is not counted here as adopting the SOBRA option.

**Indiana is in the process of establishing a variation of an AFDC-UP program, although its program will be very restrictive. To be eligible, a two-parent family's primary earner must participate in job training, community work, or adult education for 32 hours a week and in job search for eight hours a week. Benefits, moreover, are restricted to six months of any twelve-month period. The program awaits federal approval.

Even in states meeting the largest number of these standards, substantial gaps remain in the safety nets. For example, in Massachusetts (which meets nine standards) the maximum value of AFDC benefits for a three-person family without any other income is nearly one-third below the poverty line. For a four-person family, the maximum AFDC benefit is nearly two-fifths below the poverty line. Maximum AFDC benefits in the Bay State have fallen 35 percent since 1970, after adjusting for inflation. Even the combined value of maximum AFDC and food stamp benefits still leaves a three-person family 12 percent below the poverty line. In addition, some impoverished Massachusetts families with children are not eligible for Medicaid, because the income limit is 87.1 percent of the poverty line. Furthermore, there is no circuitbreaker program to relieve the burden of property taxes on low-income households. Many low income Massachusetts households also face a serious housing shortage. In 1985, the number of very low-income renter households in Massachusetts was 136.7 percent greater than the number of housing units available at no more than 30 percent of these households' incomes.

Similarly, in Minnesota (which meets eight standards) the combined value of AFDC and food stamp benefits leaves a three-person family 10 percent below the poverty line, and maximum AFDC benefits have declined 28.9 percent since 1970, after adjusting for inflation. Some poor families with children are not eligible for Medicaid, and singles and childless couples are reliant primarily for health care assistance on whatever programs might exist for the medically indigent. As in

Massachusetts, a housing problem exists for low-income Minnesota households -- in 1985, the number of very low-income renter households in Minnesota was 110 percent greater than the number of housing units that rent for no more than 30 percent of these households' incomes.

V. Implications for National Policy

The focus of this report is on the choices states are making in benefit programs and income-related policies that are targeted on poor households or that otherwise have a major impact on the low income population. From this analysis, an agenda for possible state action begins to emerge. Different state choices than those currently being made could substantially improve the situation of poor people in many areas. The need for state action is underscored by the persistence of large federal budget deficits which make it unlikely that the federal government will make dramatic changes to or provide substantially increased funding for safety net programs in the years immediately ahead. If state safety nets are to be strengthened significantly, then the states themselves will need to step to the fore.

At the same time, the federal role in anti-poverty policies should not be ignored. There is wide variation among state programs and policies that affect low income households. Moreover, these policies fall well short of lifting individuals and families out of poverty, and the effectiveness of some of these policies has eroded over time. Such findings indicate a need for stronger federal standards in some areas.

Variation among state programs is often justified on the grounds that it reflects the need for states to tailor policies to the unique problems and situations in each state. For example, job training programs need to be tailored to local economies, while education policies benefit from local participation by parents. When it comes to the wide variations among benefit programs for low income people, however, such considerations are not as strong. Rather, the variation in state poverty policies appears to stem principally from differences among the states in their philosophical commitment and financial ability to aid the poor.

Some philosophical differences should be heeded, of course; but that said, it is not readily apparent that philosophical differences justify the magnitude of the variations across states. Can philosophical differences and divergent attitudes towards the poor justify maximum AFDC benefits for a three-person family that range from a low of 15.6 percent of the poverty line in Alabama to a high of 83.7 percent in California? That in many states two-parent families are not eligible

for cash assistance programs or Medicaid, while in other states, the same family would be eligible? That the percentage of the jobless who received unemployment insurance in 1986 ranged from a low of 16.6 percent in Virginia to a high of 65.7 percent in Alaska?

Variations of this magnitude substantiate the case for stricter federal standards. Such standards could ensure that the probability of receiving these and other program benefits would not vary so much across the states, would not be as dependent on chance alone, on where in this nation a poor household may happen to live.

Federal standards would need to be coupled in some cases with greater federal funding, because some of the variation in state poverty policies is due to the simple fact that states with many poor people and low per capita income are often less able to afford adequate poverty policies than those with fewer poor people and higher per capita income.

The extent of these variations in state poverty policies would be of less concern if the policies in so many states did not provide such low levels of support. Federal standards and funding can play a positive role in this regard, as a comparison between the SSI and AFDC programs illustrates.

The SSI program provides basic benefit levels that are fully federally financed and that are equal, in all states, to 74.8 percent of the poverty line for a single elderly person and 88.9 percent of the poverty line for an elderly couple. Twenty-seven states supplement these federal benefit levels with state funds, in part so that states with higher costs-of-living can reflect these higher costs in their support levels. This approach allows for the federal government to establish basic, minimum standards and for the states to provide benefits over and above these standards if they so choose.

By contrast, in the AFDC program, no such federal benefit standards apply and all benefits are jointly funded by the federal and state governments. In the typical state, maximum AFDC benefits for a family of three equal just 47.5 percent of the poverty line.

Among the areas where federal standards could have the most substantial impact on the poor are:

- Establishment of a federal floor for AFDC benefits (as there is for SSI benefits);
- A requirement that all states provide AFDC benefits to families with unemployed parents;
- A requirement that all SSI recipients be made eligible for Medicaid;
- Federal action to require the extension of Medicaid coverage to more children in poverty; and
- Enactment of a revised federal "trigger" that makes it likely that states with high unemployment rates would be eligible for the program that

extends unemployment insurance benefits for the long-term unemployed.[46]

It should also be noted that in several program areas -- notably housing programs, the low energy assistance program, and the WIC program -- a majority of the people who are eligible do not receive benefits due primarily to limitations on federal funding. (Federal funding of housing and energy assistance programs has dropped substantially in the 1980s.) State supplementation of these programs can help close this gap, but given its size, increased federal funding is also very important.

Nevertheless, while such federal actions could greatly strengthen state safety nets, state actions remain crucial. Given the current political and budgetary climate at the national level, the federal government is unlikely to establish sweeping changes in poverty policies. For the foreseeable future, state choices are likely to remain of paramount importance in determining the adequacy of the state safety nets.

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46. The extended unemployment benefits program is supposed to provide an additional 13 weeks of benefits to people unemployed for 27 weeks or more living in states with high unemployment rates. But legislation passed by Congress in 1981 has made it much more difficult for states to qualify for the program. In February 1988, only one state (Alaska) qualified to pay extended benefits. Other states with troubled economies do not qualify for benefits; for example, Louisiana's extended benefits were ended in March 1987, even though its unemployment rate was 13.5 percent that month. The federal government pays half of extended benefits program costs and sets the criteria that determine when extended benefits will be provided.

ENDNOTES

A. Description of Cash Assistance Programs. There are separate government cash assistance programs for different types of poor households. The *Aid to Families with Dependent Children* (AFDC) program is for single-parent families with children and (at a state's option) two parent families with an unemployed primary earner. The *Supplemental Security Income* (SSI) program assists low-income elderly and disabled persons. *General cash assistance* programs can aid households in poverty who are categorically excluded from receiving either AFDC or SSI benefits.

These programs have different degrees of federal, state, and local participation. AFDC is jointly funded by the federal and state governments, but the states determine the level of benefits and whether two-parent households with an unemployed primary earner are eligible for assistance. The federal Supplemental Security Income program extends a basic federal grant to low income elderly and disabled people in all states, but states have the option to supplement this grant. There are no federal standards for general cash assistance programs. States decide whether to establish such programs and whether to extend assistance to single individuals and childless couples who are neither elderly or disabled. In the absence of a state program, localities can choose to establish their own general assistance programs.

B. SOBRA Poverty Line. The poverty line cut-offs used to determine eligibility under SOBRA and a number of other federal programs are referred to as the federal poverty *guidelines* and differ slightly from the poverty *thresholds* that the Census Bureau uses to determine poverty rates. With the exception of the SOBRA section of this report, "poverty threshold" and "poverty line" are used synonymously and refer to the figures used by the Census Bureau. See Table A2 for more information on the Census Bureau's poverty thresholds.

C. Medicaid Income Eligibility Limits for Families with Children. In states without a Medically Needy program for families with children, the Medicaid income eligibility limit is usually equal to the AFDC "payment standard." This "payment standard" is used to determine eligibility for AFDC benefits: that is, a state's payment standard is the figure from which an applicant or recipient's countable income is deducted to determine the level of AFDC benefits.

In states without a Medically Needy program, Medicaid coverage tends to be quite limited.

- Fourteen states do not have a Medically Needy program. In these states, the Medicaid income eligibility thresholds for a three-person family range from 15.6 percent of the poverty line in Alabama to 79.3 percent of the poverty line in Alaska. In the median state without a Medically Needy program, the threshold equals 40.9 percent, or just about two-fifths, of the poverty line.

Although states with a Medically Needy program tend to have higher Medicaid income eligibility thresholds (and also provide coverage to some low-income families who have incomes above these thresholds but who have incurred high medical expenses), many poor families in these states, too, are still ineligible for Medicaid coverage.

- In the states with Medically Needy programs, the Medicaid income eligibility threshold for a three-person family ranges from 30.8 percent of the poverty line in Louisiana to 112.5 percent of the poverty line in California. In the median state with a Medically Needy program, the income eligibility threshold equals just 60.6 percent, or about three-fifths, of the poverty line.

- In addition, in seven states with a Medically Needy program, the Medically Needy threshold is *lower* than the income limit that determines AFDC eligibility. In these states, the Medically Needy program extends coverage only to those families whose medical expenses drive their countable income far enough below the state's AFDC income eligibility limit that it is also below the Medically Needy income limit.

D. Rental Housing Crisis Index. One measure of the housing problems facing low-income households is the Low Income Housing Information Service's (LIHIS) "Rental Housing Crisis Index." The index is based on U.S. Census data for 1985.

In its analysis, LIHIS classifies as "very low income" all renter households with incomes equal to or less than 50 percent of the income of the median renter household in the state. (The LIHIS definition of "very low income" renter households differs from the U.S. Department of Housing's (HUD's) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. Since the typical renter has less income than the typical homeowner, the LIHIS definition is based on a lower median income standard than is HUD's definition, making the LIHIS category of "very low income" renter households smaller than HUD's category.)

LIHIS does use HUD's definition of housing "affordability." Housing is considered affordable if it consumes no more than 30 percent of a household's income. The Rental Housing Crisis Index compares the number of "very low income" renter households in a state to the number of affordable "very low rent" housing units -- that is, those units that rent for no more than 30 percent of the income cutoff for "very low income" renters. In a hypothetical example, if the median renter income in a state equaled $12,000, "very low income" renter households would be those with incomes less than or equal to $6,000. Accordingly, "very low rent" housing units would be those renting for $150 a month or less (since $6,000/12 months x 30 percent equals $150). In the LIHIS analysis, the number of very low income renter households in a state is compared to the number of very low rent units in the state (including public and subsidized housing units in the state).

LIHIS emphasizes that this methodology produces a conservative estimate of the low income housing shortage in each state, because not every unit available at an affordable rental price is actually rented to a very low income household. Despite this conservative bias, the Rental Housing Crisis Index shows that the number of very low income renter households substantially exceeds the number of very low rent units in most states.

- In 1985, the Rental Housing Crisis Index showed that the number of very low income renters in the nation exceeded the number of very low rent units by 93.7 percent. This represents a shortfall of at least 3.9 million rental units.

- In four jurisdictions (California, the District of Columbia, Nevada and New Jersey), the Index shows that the number of very low income renters was more than three times greater than the number of very low rent units.

- In many states that have stronger-than-average safety nets in other areas, the housing crisis is severe. California is one example; the Rental Housing Crisis Index indicates a low-income rental housing shortage of 789,000 units in that state. Massachusetts and New York are two other states with stronger-than-average safety nets in other areas but serious housing shortages. In both states, the numb r of very low income renters exceeded the number of available very low rent units by nearly 140 percent, representing shortages of 142,000 and 538,000 units, respectively.

E. Estimating WIC Coverage. The most recent national estimate for the number of women, infants, and children eligible for WIC is for 1984. The estimate is contained in "Estimation of Eligibility for the WIC Program," a study published by the U.S. Department of Agriculture (USDA) in the fall of 1987. The Center on Budget and Policy Priorities calculated the nationwide participation rate used in this report by dividing the average number of WIC participants in fiscal year 1987 by the average monthly number of WIC eligible people as of 1984. (The Center adjusted USDA's 1984 WIC eligible pool by subtracting out participants in the Commodity Supplemental Food Program (CSFP) who meet WIC eligibility criteria. CFSP participants are ineligible for the WIC program.)

For individual states, the most recent USDA estimates of the number of people eligible for WIC are for 1979. The state WIC participation rates used here were calculated by using the number of WIC recipients in each state in June 1987 and an estimate derived by the Center of the number of WIC eligibles in each state in 1984. To estimate the number of WIC eligibles in each state for 1984, the Center first determined the percentage increase in the national number of women, infants, and children who were eligible for WIC in 1984 as compared to the national number of women, infants, and children who were eligible in 1979 (USDA has published estimates for both years). This percentage increase was then applied to the number of women, infants, and children who were eligible in each sta' in 1979 to produce an estimate of the number of eligibles by state for 1984. In the 14 states with a CSFP program, the CSFP participants who,

according to USDA, meet WIC eligibility criteria were then subtracted from the 1984 estimate.

These calculations necessarily produce rough approximations of each state's WIC eligible population in 1984. The state-by-state estimates are only approximations, because all states would not have experienced the same rate of increase in the number of eligible women, infants, and children between 1979 and 1984 as did the U.S. as a whole.

Moreover, both the national and the state-by-state calculations compare 1987 participation levels to the number of WIC eligibles in 1984, since no data on the number of people eligible for WIC is available for years after 1984. Estimating WIC participation rates in this fashion is obviously troublesome, but is unavoidable since no data on the number of people eligible for WIC is available for any year after 1984. The Center decided *not* to compare 1984 WIC participation limits to the number of eligibles in 1984. Such a comparison would have yielded results that would be poor indicators of current participation rates, since WIC participation has grown significantly since 1984. (In allocating fiscal year 1988 federal WIC funds among the states, USDA compared fiscal year 1987 participation levels to the number of persons eligible in each state back in 1979. USDA also subtracted out CSFP participants from the eligibility figures.)

TABLES

Table A1. State Poverty Rates and Per Capita Income

State	1985 Poverty Rate	Poverty Population (thousands)	Per Capita Income 1986 Level	Per Capita Income Ratio to National	Per Capita Income Rank
Alabama	20.6%	829	$11,115	0.77	45
Alaska	8.8	46	17,744	1.23	4
Arizona	10.7	341	13,220	0.91	31
Arkansas	22.9	540	10,773	0.74	48
California	13.6	3,585	16,778	1.16	7
Colorado	10.3	333	15,113	1.05	12
Connecticut	7.6	241	19,208	1.33	1
Delaware	11.4	71	15,010	1.04	14
District of Columbia	20.4	127	18,980	1.31	2
Florida	13.4	1,523	14,281	0.99	20
Georgia	17.7	1,058	13,224	0.91	29
Hawaii	10.7	112	14,691	1.02	16
Idaho	16.0	161	11,432	0.79	42
Illinois	15.6	1,800	15,420	1.07	10
Indiana	12.0	660	12,944	0.90	33
Iowa	18.0	519	13,222	0.91	30
Kansas	13.8	338	14,379	0.99	19
Kentucky	19.4	723	11,129	0.77	44
Louisiana	18.1	812	11,227	0.78	43
Maine	11.9	139	12,709	0.88	35
Maryland	8.7	382	16,588	1.15	8
Massachusetts	9.3	541	17,516	1.21	5
Michigan	14.5	1,318	14,064	0.97	21
Minnesota	12.6	528	14,737	1.02	15
Mississippi	25.1	656	9,552	0.66	51
Missouri	13.7	690	13,657	0.94	26
Montana	16.1	133	11,904	0.82	39
Nebraska	14.8	238	13,777	0.95	24
Nevada	14.4	135	15,074	1.04	13
New Hampshire	6.0	60	15,922	1.10	9
New Jersey	8.3	628	18,284	1.26	3
New Mexico	18.5	268	11,037	0.76	47
New York	15.8	2,804	17,118	1.18	6
North Carolina	14.2	889	12,245	0.85	38
North Dakota	15.9	109	12,284	0.85	37
Ohio	12.8	1,376	13,743	0.95	25
Oklahoma	16.1	532	12,368	0.86	36
Oregon	11.9	320	13,217	0.91	32
Pennsylvania	10.5	1,246	13,944	0.96	22
Rhode Island	9.0	87	14,670	1.01	17
South Carolina	15.2	507	11,096	0.77	46
South Dakota	17.3	122	11,850	0.82	40
Tennessee	18.1	863	11,831	0.82	41
Texas	15.9	2,605	13,523	0.94	27
Utah	11.1	183	10,743	0.74	49
Vermont	9.2	49	12,845	0.89	34
Virginia	10.0	570	15,374	1.06	11
Washington	12.0	529	14,498	1.00	18
West Virginia	22.3	432	10,530	0.73	50
Wisconsin	11.6	554	13,796	0.95	23
Wyoming	12.0	61	13,230	0.91	28

Source: For poverty rates, Christine Ross and Sheldon Danziger, "Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Fall 1987 (see page 3 of this report.) For per capita income, U.S. Department of Commerce, *News* (April 16, 1987).

Table A2. Poverty Thresholds for 1987

Size of Family Unit	Threshold 1987 Estimate
One person (unrelated individual)	$5,784
15 to 64 years	5,918
65 years and over	5,455
Two persons	7,409
Householder 15 to 64 years	7,652
Householder 65 years and over	6,882
Three persons	9,069
Four persons	11,629
Five persons	13,763
Six persons	15,555
Seven persons	17,697
Eight persons	19,505
Nine persons or more	23,352

Source: Poverty *thresholds* are used by the Census Bureau to determine whether a family unit is classified as poor.

The estimated 1987 poverty thresholds shown above were used throughout this report in expressing various figures as a percentage of the poverty line. These thresholds were calculated by multiplying the Census Bureau's official 1986 poverty thresholds by the inflation rate of 3.8 percent projected by the Congressional Budget Office in August 1987. The projected rate differs little from the actual 1987 inflation rate of 3.7 percent. For example, the difference is only about $13 a year (or about $1 on a monthly basis) for a family of three.

There are two state exceptions. For Alaska and Hawaii, the Center on Budget and Policy Priorities increased the thresholds by 25 percent and 15 percent respectively to adjust for the higher cost of living in these states. These adjustment factors are equal to the adjustments for Alaska and Hawaii made by a number of federal means-tested benefit programs in setting the "poverty guidelines" used to determine program income eligibility limits.

Table A3. Miscellaneous Characteristics of AFDC Programs
(Three-Person Family, 1987)

State	AFDC-UP?	AFDC Benefit Rank	Maximum AFDC and Food Stamp Benefits as % of Poverty Line	AFDC Emergency Assistance?
Alabama	no	51	45.8%	no
Alaska	no	1	101.5	no
Arizona	no	35	67.8	no
Arkansas	no	44	56.9	yes
California	yes	2	99.3	yes
Colorado	no	29	72.8	no
Connecticut	yes	4	96.4	no
Delaware	yes	32	69.4	yes
District of Columbia	yes	23	74.4	yes
Florida	no	39	65.1	no
Georgia	no	41	64.9	yes
Hawaii	yes	10	92.9	no
Idaho	no	34	68.9	no
Illinois	yes	30	73.1	yes
Indiana	no	36	67.4	no
Iowa	yes	19	76.0	no
Kansas	yes	16	79.1	yes
Kentucky	no	46	56.2	no
Louisiana	no	47	55.3	no
Maine	yes	17	78.2	yes
Maryland	yes	26	76.3	yes
Massachusetts	yes	7	87.9	yes
Michigan	yes	13	82.1	yes
Minnesota	yes	6	90.0	yes
Mississippi	no	50	46.0	no
Missouri	yes	38	66.8	no
Montana	yes	25	74.0	yes
Nebraska	yes	28	73.1	yes
Nevada	no	37	67.1	no
New Hampshire	no	11	85.7	no
New Jersey	yes	14	81.0	yes
New Mexico	no	40	65.1	no
New York	yes	8	88.8	yes
North Carolina	yes	42	64.4	no
North Dakota	no	21	75.1	no
Ohio	yes	33	69.9	yes
Oklahoma	no	31	69.4	yes
Oregon	yes	15	83.5	yes
Pennsylvania	yes	18	76.1	yes
Rhode Island	yes	12	85.7	no
South Carolina	yes	45	56.6	no
South Dakota	no	22	74.6	no
Tennessee	no	49	51.2	no
Texas	no	48	54.5	no
Utah	no	20	75.5	no
Vermont	yes	3	96.5	yes
Virginia	no	27	73.5	yes
Washington	yes	9	88.1	yes
West Virginia	yes	43	63.1	yes
Wisconsin	yes	5	91.5	yes
Wyoming	no	24	74.0	yes

Source: Center compilation of data from Congresional Research Service and House Ways and Means Committee.

Table A4. Number and Percentage of AFDC Households That Receive Food Stamps, Fiscal Year 1986

State	Number of AFDC Households Receiving Food Stamps*	Percentage of AFDC Households Receiving Food Stamps	Number of AFDC Households *Not* Receiving Food Stamps*	Percentage of "Pure AFDC Households" Receiving Food Stamps**	Percentage of "Mixed AFDC Households" Receiving Food Stamps***
Alabama	41,726	83.3%	8,365	98.9%	73.3%
Alaska	4,446	65.4	2,352	76.2	44.6
Arizona	20,969	80.5	5,079	92.4	71.2
Arkansas	18,989	84.2	3,586	95.1	75.9
California	405,414	71.8	159,230	89.2	54.5
Colorado	24,028	86.0	3,912	88.9	71.4
Connecticut	32,496	80.6	7,822	93.2	52.4
Delaware	6,459	78.6	1,759	89.4	63.3
District of Columbia	na	na	na	na	na
Florida	75,082	77.1	22,300	97.4	63.4
Georgia	65,694	78.3	18,207	88.8	67.2
Hawaii*	13,447	88.6	1,730	92.9	62.8
Idaho	5,589	88.3	741	93.5	75.3
Illinois	213,494	88.5	27,742	96.5	74.4
Indiana	45,501	81.7	10,192	97.2	62.2
Iowa	35,785	87.7	5,019	90.6	75.0
Kansas	18,362	78.8	4,940	93.6	51.6
Kentucky	52,064	86.5	8,126	96.0	77.6
Louisiana	na	na	na	na	na
Maine	17,307	86.2	2,771	96.9	68.5
Maryland	56,537	81.3	13,004	97.5	62.4
Massachusetts	69,698	79.8	17,643	89.0	45.2
Michigan	205,437	93.3	14,753	95.6	79.5
Minnesota	41,983	78.1	11,826	87.2	52.0
Mississippi	46,721	87.6	6,613	97.9	81.1
Missouri	54,675	82.2	11,839	95.5	64.5
Montana	8,009	90.6	831	91.2	87.8
Nebraska	13,785	85.4	2,357	97.5	63.2
Nevada	3,950	72.2	1,521	74.8	57.4
New Hampshire	3,998	80.5	968	83.5	69.1
New Jersey	104,178	85.9	17,100	90.6	65.9
New Mexico	15,950	88.1	2,154	89.4	81.0
New York	342,207	92.9	26,154	96.5	83.2
North Carolina	48,276	72.2	18,588	91.4	54.6
North Dakota	3,594	74.2	1,249	77.7	59.4
Ohio	202,992	89.3	24,323	98.3	68.6
Oklahoma	23,845	78.9	6,377	91.8	56.4
Oregon	27,702	90.2	3,010	95.9	80.8
Pennsylvania	168,680	88.4	22,135	95.8	62.8
Rhode Island	14,480	90.3	1,555	94.4	68.6
South Carolina	36,662	79.5	9,454	89.6	72.7
South Dakota	4,485	72.8	1,676	85.9	55.3
Tennessee	50,336	85.2	8,744	96.4	76.6
Texas	118,107	87.3	17,182	96.3	76.4
Utah	10,854	81.1	2,530	85.5	67.9
Vermont	6,424	84.2	1,213	89.2	67.5
Virginia	34,456	58.9	24,043	75.3	48.6
Washington	59,377	84.0	11,310	94.9	64.0
West Virginia	33,885	92.8	2,629	97.0	80.8
Wisconsin	77,364	84.8	13,867	91.1	67.1
Wyoming	3,417	85.4	584	94.3	63.2
Nation	3,070,380	83.4	611,131	93.7	66.1

NA: Data not available.

Source: U.S. General Accounting Office, *Food Stamp Program: Participation by AFDC Households*, February 1988.

*Recipient and non-recipient numbers calculated by applying percentage rates to the number of total AFDC households. Hawaii figures are based on incomplete data.

**These are households in which all members are covered by the AFDC grant. These households are automatically eligible for food stamps.

***These are households in which members of the AFDC assistance unit live with, and purchase and prepare food with, other people. These households are eligible for food stamps if they meet the food stamp income and assets tests.

Table A5. AFDC Need Standards
(Family of Three, 1987)

State	Monthly Need Standard	Maximum Benefit Level As Percentage of Need Standard	Inflation-Adjusted Change in the Value of Need Standard (1970 to 1987)
Alabama	$384	30.7%	-28.5%
Alaska	749	100.0	-28.7
Arizona	621	47.2	+ 0.1
Arkansas	695	29.1	+59.6
California	633	100.0	-40.3
Colorado	421	82.2	-25.7
Connecticut	601	100.0	-27.3
Delaware	310	100.0	-56.7
District of Columbia	712	51.1	+ 6.4
Florida	775	34.1	+43.3
Georgia	366	71.9	-28.9
Hawaii	491	100.0	-25.3
Idaho	554	54.9	-21.1
Illinois	689	49.6	- 5.5
Indiana	320	90.0	-59.1
Iowa	497	76.7	-34.0
Kansas	409	100.0	-39.7
Kentucky	197	100.0	-68.1
Louisiana	610	31.1	+20.6
Maine	558	72.6	-31.1
Maryland	497	72.2	-32.2
Massachusetts	510	100.0	-35.1
Michigan	630	67.8	- 2.1
Minnesota	532	100.0	-28.9
Mississippi	368	32.6	-34.6
Missouri	312	90.4	-61.5
Montana	434	82.7	-28.4
Nebraska	350	100.0	-56.4
Nevada	285	100.0	-63.2
New Hampshire	486	100.0	-37.0
New Jersey	424	100.0	-51.8
New Mexico	264	100.0	-46.5
New York	497	100.0	-39.3
North Carolina	518	50.0	+ 5.3
North Dakota	371	100.0	-45.3
Ohio	674	45.8	+10.7
Oklahoma	471	65.8	- 8.4
Oregon	412	100.0	-38.9
Pennsylvania	614	62.2	-18.0
Rhode Island	479	100.0	-28.9
South Carolina	388	51.5	-19.2
South Dakota	366	100.0	-53.4
Tennessee	353	45.0	-32.0
Texas	574	32.1	- 1.0
Utah	693	54.3	+ 2.2
Vermont	889	67.8	+ 4.4
Virginia	393	90.1	-43.9
Washington	835	58.9	+11.0
West Virginia	497	50.1	-19.5
Wisconsin	647	84.9	+ 3.7
Wyoming	360	100.0	-51.8

Source: Center calculations based on Congressional Research Service and House Ways and Means Committee data.

Table A6. Maximum Earnings Level At Which A Family Can Receive AFDC Benefits
(Three-Person Family, 1987)

	APPLICANT			RECIPIENT (5th-12th Month)		
State	With Child Care Deduction	Without Child Care Deduction	Without Child Care Deduction As Percentage of Poverty Line	With Child Care Deduction	Without Child Care Deduction	Without Child Care Deduction As Percentage of Poverty Line
Alabama	$289	$183	24.2%	$319	$213	28.2%
Alaska	920	814	86.2	950	844	89.3
Arizona	464	358	47.4	494	388	51.3
Arkansas	373	267	35.3	403	297	39.3
California	804	698	92.4	834	728	96.3
Colorado	590	484	64.0	620	514	68.0
Connecticut	772	666	88.1	802	696	92.1
Delaware	481	375	49.6	511	405	53.6
District of Columbia	535	429	56.8	565	459	60.7
Florida	435	329	43.5	465	359	47.5
Georgia	434	328	43.4	464	358	47.4
Hawaii	662	556	64.0	692	586	67.4
Idaho	475	369	48.8	505	399	52.8
Illinois	513	407	53.9	543	437	57.8
Indiana	459	353	46.7	489	383	50.7
Iowa	552	446	59.0	582	476	63.0
Kansas	580	474	62.7	610	504	66.7
Kentucky	368	262	34.7	398	292	38.6
Louisiana	361	255	33.7	391	285	37.7
Maine	729	623	82.4	759	653	86.4
Maryland	530	424	56.1	560	454	60.1
Massachusetts	681	575	76.1	711	605	80.1
Michigan	699	593	78.5	729	623	82.4
Minnesota	703	597	79.0	733	627	83.0
Mississippi	532	426	56.4	562	456	60.4
Missouri	453	347	45.9	483	377	49.9
Montana	530	424	56.1	560	454	60.1
Nebraska	521	415	54.9	551	445	58.9
Nevada	456	350	46.3	486	380	50.3
New Hampshire	657	551	72.9	687	581	76.9
New Jersey	595	489	64.7	625	519	68.7
New Mexico	435	329	43.5	465	359	47.5
New York	668	562	74.4	698	592	78.3
North Carolina	430	324	42.9	460	354	46.8
North Dakota	542	436	57.7	572	466	61.7
Ohio	480	374	49.5	510	404	53.5
Oklahoma	481	375	49.6	511	405	53.6
Oregon	583	477	63.1	613	507	67.1
Pennsylvania	553	447	59.1	583	477	63.1
Rhode Island	650	544	72.0	680	574	76.0
South Carolina	550	444	58.7	580	474	62.7
South Dakota	537	431	57.0	567	461	61.0
Tennessee	524	418	55.3	554	448	59.3
Texas	355	249	32.9	385	279	36.9
Utah	856	750	99.2	886	780	103.2
Vermont	774	668	88.4	804	698	92.4
Virginia	525	419	55.4	555	449	59.4
Washington	663	557	73.7	693	587	77.7
West Virginia	420	314	41.5	450	344	45.5
Wisconsin	720	614	81.2	750	644	85.2
Wyoming	531	425	56.2	561	455	60.2

Source: Center calculations based on Congressional Research Service data. In calculating the child care deduction, the average child care deduction for those AFDC families who get the deduction ($106 per month) was used. However, most AFDC families with earnings do not have deductible child care costs. The maximum earnings level at which a family can receive AFDC benefits is higher for those already receiving AFDC than for those applying for AFDC because recipients are eligible for additional earnings disregards. For AFDC recipients who are between the fifth and twelfth months of a job they have held while on the AFDC rolls, the additional disregard is $30 per month. Disregards (and therefore the maximum earning levels at which a family can receive AFDC benefits) are higher during the first four months on a job and become lower after the twelfth month.

Table A7. Characteristics of Supplemental Security Income Programs
(For an Individual, 1987)

State	State Supplement?	Value of Maximum Monthly Supplement	Inflation-Adjusted Change in Maximum State SSI Supplement 1974 to 1987	Total SSI Benefits As Percentage of Poverty Line	Maximum SSI and Food Stamp Benefits As Percentage of Poverty Line
Alabama	no	$0	na	74.8%	84.1%
Alaska	yes	292	+21.9%	111.2	119.0
Arizona	no	0	na	74.8	84.1
Arkansas	no	0	na	74.8	84.1
California	yes	220	+ 7.3	123.2	123.2
Colorado	yes	58	+ 0.8	87.6	93.0
Connecticut	yes	146	na	106.9	106.9
Delaware	no	0	na	74.8	84.1
District of Columbia	yes	15	na	78.1	86.4
Florida	no	0	na	74.8	84.1
Georgia	no	0	na	74.8	84.1
Hawaii	yes	5	-92.0	66.0	90.7
Idaho	yes	73	-41.3	90.9	95.3
Illinois	yes	35	na	82.5	89.5
Indiana	no	0	na	74.8	84.1
Iowa	no	0	na	74.8	84.1
Kansas	no	0	na	74.8	84.1
Kentucky	no	0	na	74.8	84.1
Louisiana	no	0	na	74.8	84.1
Maine	yes	10	-56.6	77.0	85.6
Maryland	no	0	na	74.8	84.1
Massachusetts	yes	129	-54.5	103.2	104.0
Michigan	yes	29	-47.5	81.2	88.6
Minnesota	yes	35	-52.5	82.5	89.5
Mississippi	no	0	na	74.8	84.1
Missouri	no	0	na	74.8	84.1
Montana	no	0	na	74.8	84.1
Nebraska	yes	51	-66.9	86.0	92.0
Nevada	yes	36	-59.9	82.7	89.6
New Hampshire	yes	27	-51.1	80.7	88.3
New Jersey	yes	31	-62.6	81.6	88.9
New Mexico	no	0	na	74.8	84.1
New York	yes	72	-48.7	90.6	95.2
North Carolina	no	0	na	74.8	84.1
North Dakota	no	0	na	74.8	84.1
Ohio	no	0	na	74.8	84.1
Oklahoma	yes	64	+39.0	88.9	94.0
Oregon	yes	2	-94.9	75.2	84.4
Pennsylvania	yes	32	-30.5	81.8	89.0
Rhode Island	yes	56	-34.3	87.1	92.7
South Carolina	no	0	na	74.8	84.1
South Dakota	yes	15	na	78.1	86.4
Tennessee	no	0	na	74.8	84.1
Texas	no	0	na	74.8	84.1
Utah	yes	9	na	76.8	85.5
Vermont	yes	57	-14.6	87.3	92.9
Virginia	no	0	na	74.8	84.1
Washington	yes	28	-59.5	81.0	88.4
West Virginia	no	0	na	74.8	84.1
Wisconsin	yes	102	-36.7	97.2	97.2
Wyoming	yes	20	na	79.2	87.2

Source: Center calculations based on data from House Ways and Means Committee and the U.S. Department of Health and Human Services.

Table A8. Benefits in State General Assistance Programs, 1987*

*State Program Extending Beyond Disabled and Elderly***

State	----- One-Person ----- Monthly Benefit	As Percentage of One-Person Poverty Line	----- Two-Person ----- Monthly Benefit	As Percentage of One-Person Poverty Line
Connecticut	$315	65.4%	$419	67.9%
Massacusetts	328	68.0	411	66.6
Michigan	223	46.3	315	51.1
Minnesota	203	42.1	263	42.6
New Jersey	140	29.0	193	31.3
New York	277	57.5	406	65.8
Ohio	136	28.2	179	29.0
Pennsylvania	186	38.6	287	46.5

State Program for Disabled Only

State	----- One-Person ----- Monthly Benefit	As Percentage of One-Person Poverty Line	----- Two-Person ----- Monthly Benefit	As Percentage of One-Person Poverty Line
Arizona	$173	35.9%	$233	37.8%
Delaware***	119	24.7	166	26.9
District of Columbia	239	49.6	298	48.3
Hawaii***	297	53.6	390	54.9
Kansas***	189	39.2	254	41.2
Maryland	171	35.5	227	36.8
Missouri	80	16.6	160	25.9
New Mexico	156	32.4	224	36.3
Oregon	239	49.6	315	51.1
Rhode Island	65	13.5	89	14.4
Utah	217	45.0	301	48.8
Washington	314	65.1	397	64.3
Wyoming***	145	30.1	235	38.1

Source: Center survey.

*This table does not include information on states with county-based general assistance programs or states without general assistance programs. The benefit levels listed often do not apply to all categories of recipients, but usually reflect those for the largest category of recipients in each state.

**Even in these states, benefits are sometimes restricted to certain categories of household composition and/or to limited lengths of time.

***Program benefits are also extended to elderly people.

Table A9. Infant Mortality Rates, by State and Rank, 1985
(Rates Per 100,000 Births)

BY STATE		BY RANK		
Alabama	12.6	1	District of Columbia	20.8
Alaska	10.8	2	Delaware	14.8
Arizona	9.7	3	South Carolina	14.2
Arkansas	11.6	4	Mississippi	13.7
California	9.5	5	Georgia	12.7
Colorado	9.4	6	Alabama	12.6
Connecticut	10.0	7	Wyoming	12.2
Delaware	14.8	8	Louisiana	11.9
District of Columbia	20.8	9	Maryland	11.9
Florida	11.3	10	North Carolina	11.8
Georgia	12.7	11	Illinois	11.7
Hawaii	8.8	12	Arkansas	11.6
Idaho	10.4	13	Virginia	11.5
Illinois	11.7	14	Tennessee	11.4
Indiana	10.9	15	Michigan	11.4
Iowa	9.5	16	Florida	11.3
Kansas	9.3	17	Kentucky	11.2
Kentucky	11.2	18	Pennsylvania	11.0
Louisiana	11.9	19	Indiana	10.9
Maine	9.1	20	Oklahoma	10.9
Maryland	11.9	21	Alaska	10.8
Massachusetts	9.1	22	New York	10.8
Michigan	11.4	23	Washington	10.7
Minnesota	8.8	24	West Virginia	10.7
Mississippi	13.7	25	New Jersey	10.6
Missouri	10.2	26	New Mexico	10.6
Montana	10.3	27	Idaho	10.4
Nebraska	9.6	28	Montana	10.3
Nevada	8.5	29	Ohio	10.3
New Hampshire	9.3	30	Missouri	10.2
New Jersey	10.6	31	Connecticut	10.0
New Mexico	10.6	32	Oregon	9.9
New York	10.8	33	South Dakota	9.9
North Carolina	11.8	34	Texas	9.8
North Dakota	8.5	35	Arizona	9.7
Ohio	10.3	36	Utah	9.6
Oklahoma	10.9	37	Nebraska	9.6
Oregon	9.9	38	Iowa	9.5
Pennsylvania	11.0	39	California	9.5
Rhode Island	8.2	40	Colorado	9.4
South Carolina	14.2	41	New Hampshire	9.3
South Dakota	9.9	42	Kansas	9.3
Tennessee	11.4	43	Massachusetts	9.1
Texas	9.8	44	Wisconsin	9.1
Utah	9.6	45	Maine	9.1
Vermont	8.5	46	Hawaii	8.8
Virginia	11.5	47	Minnesota	8.8
Washington	10.7	48	North Dakota	8.5
West Virginia	10.7	49	Vermont	8.5
Wisconsin	9.1	50	Nevada	8.5
Wyoming	12.2	51	Rhode Island	8.2

Source: National Center for Health Statistics, "Advance Report of Final Mortality Statistics," 1985.

Table A10. Medicaid Programs for Elderly and Disabled People, 1987

State	SOBRA for Elderly and Disabled?	Medically Needy Program for Elderly and Disabled?	Medically Needy Monthly Eligibility Limit for Single Elderly Person	Medically Needy Eligibility Limit As Percentage of Elderly Poverty Line (One Person)
Alabama	no	no	na	na
Alaska	no	no	na	na
Arizona	no	yes*	na*	na*
Arkansas	no	yes	$108	38%
California	no	yes	550	121.0
Colorado	no	no	na	na
Connecticut	no	yes	383	84.3
Delaware	no	no	na	na
District of Columbia	yes	yes	362	79.6
Florida	yes**	yes	275	60.5
Georgia	no	no	na	na
Hawaii	no	yes	300	57.4
Idaho	no	no	na	na
Illinois	no	yes	267	58.7
Indiana	no	no	na	na
Iowa	no	yes	433	95.3
Kansas	no	yes	341	75.0
Kentucky	no	yes	192	42.2
Louisiana	no	yes	100	22.0
Maine	no	yes	358	78.8
Maryland	no	yes	334	73.5
Massachusetts	no	yes	455	100.1
Michigan	no	yes	370	81.4
Minnesota	no	yes	402	88.4
Mississippi	no	no	na	na
Missouri	no	no	na	na
Montana	no	yes	340	74.8
Nebraska	no	yes	375	82.5
Nevada	no	no	na	na
New Hampshire	no	yes	364	80.1
New Jersey	yes	yes	350	77.0
New Mexico	no	no	na	na
New York	no	yes	417	91.7
North Carolina	n	yes	233	51.3
North Dakota	no	yes	345	75.9
Ohio	no	no	na	na
Oklahoma	no	yes	258	56.8
Oregon	no	yes	367	80.7
Pennsylvania	no	yes	375	82.5
Rhode Island	yes	yes	492	108.2
South Carolina	no	no	na	na
South Dakota	no	no	na	na
Tennessee	no	yes	150	33.0
Texas	no	no	na	na
Utah	no	yes	289	63.6
Vermont	no	yes	600	132.0
Virginia	no	yes	217	47.7
Washington	no	yes	368	81.0
West Virginia	no	yes	200	44.0
Wisconsin	no	yes	441	97.0
Wyoming	no	no	na	na

Source: Center survey.

*Arizona has a special state Medically Needy program.

**Florida set its SOBRA eligibility limit at 90 percent of the poverty line instead of 100 percent.

Table A11. Medicaid Service Options, 1986

State	Number of Optional Services Covered Out of 32 Total Options
Alabama	14
Alaska	16
Arizona	na
Arkansas	20
California	29
Colorado	16
Connecticut	25
Delaware	14
District of Columbia	25
Florida	17
Georgia	13
Hawaii	22
Idaho	14
Illinois	27
Indiana	28
Iowa	22
Kansas	22
Kentucky	23
Louisiana	16
Maine	25
Maryland	17
Massachusetts	30
Michigan	26
Minnesota	29
Mississippi	10
Missouri	13
Montana	27
Nebraska	23
Nevada	24
New Hampshire	26
New Jersey	28
New Mexico	16
New York	26
North Carolina	20
North Dakota	24
Ohio	25
Oklahoma	16
Oregon	25
Pennsylvania	16
Rhode Island	12
South Carolina	17
South Dakota	16
Tennessee	20
Texas	15
Utah	26
Vermont	18
Virginia	15
Washington	23
West Virginia	18
Wisconsin	26
Wyoming	9

Source: U.S. Department of Health and Human Services, Health Care Financing Administration, "Medicaid Services State by State," October 1, 1986.

Table A12. Unemployment and Unemployment Insurance Coverage, 1986

State	Unemployment Rate	Number of Unemployed (000's)	Percent of Unemployed Receiving Unemployment Insurance	Number of Unemployed Not Receiving Benefits (000's)	Unemployment Insurance Benefits As Percentage of Wage Replaced*
Alabama	9.8%	185	23.6%	141	30.5%
Alaska	10.8	28	65.7	10	28.7
Arizona	6.9	110	23.0	85	31.5
Arkansas	8.7	94	29.7	66	39.0
California	6.7	892	44.5	495	28.8
Colorado	7.4	126	26.7	92	40.7
Connecticut	3.8	66	37.6	41	36.5
Delaware	4.3	14	41.0	8	38.6
District of Columbia	7.7	25	36.9	16	34.6
Florida	5.7	320	18.3	261	37.3
Georgia	5.9	178	25.1	133	31.2
Hawaii	4.8	24	37.3	17	44.5
Idaho	8.7	41	37.8	26	42.6
Illinois	8.1	461	30.4	321	34.8
Indiana	6.7	185	24.4	140	27.6
Iowa	7.0	100	29.5	71	44.7
Kansas	5.4	67	37.3	42	44.3
Kentucky	9.3	156	24.5	118	32.8
Louisiana	13.1	261	36.1	167	43.0
Maine	5.3	30	41.4	18	40.7
Maryland	4.5	105	34.6	69	37.3
Massachusetts	3.8	117	55.4	52	39.6
Michigan	8.8	385	28.5	275	36.0
Minnesota	5.3	118	38.3	73	45.0
Mississippi	11.7	136	23.4	104	32.4
Missouri	6.1	154	34.0	102	30.1
Montana	8.1	33	31.9	22	41.5
Nebraska	5.0	40	32.4	27	36.9
Nevada	6.0	32	36.7	20	37.9
New Hampshire	2.8	16	22.8	12	34.3
New Jersey	5.0	196	44.2	109	37.7
New Mexico	9.2	62	27.5	45	37.6
New York	6.3	526	36.7	333	31.2
North Carolina	5.3	170	29.5	120	37.2
North Dakota	6.3	21	36.4	13	50.2
Ohio	8.1	426	28.1	306	39.5
Oklahoma	8.2	131	27.6	95	42.0
Oregon	8.5	114	37.8	71	40.2
Pennsylvania	6.8	386	43.1	220	42.4
Rhode Island	4.0	21	62.4	8	39.4
South Carolina	6.2	100	28.3	72	32.4
South Dakota	4.7	16	21.0	13	40.8
Tennessee	8.0	185	24.7	139	28.2
Texas	8.9	726	23.0	559	42.2
Utah	6.0	45	31.7	31	46.1
Vermont	4.7	14	38.1	9	38.7
Virginia	5.0	145	16.6	121	36.9
Washington	8.2	179	37.0	113	37.6
West Virginia	11.8	88	27.1	64	40.8
Wisconsin	7.0	169	35.3	109	43.5
Wyoming	9.0	22	34.7	14	44.9
Nation	7.0		32.7		36.0

Source: U.S. Department of Labor, unpublished tables; House Ways and Means Committee, *Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means*, 1987.

*This calculation shows the average unemployment insurance benefits of recipients in a state as a percentage of the average weekly wages of workers in that state who are covered by unemployment insurance.

Table A13. Unemployment Insurance Coverage, 1979 and 1986*

State	Percent of Unemployed Receiving Unemployment Insurance, 1986	Percent of Unemployed Receiving Unemployment Insurance, 1979	Percentage Point Change 1979 to 1986
Alabama	23.6%	37.1%	-13.5
Alaska	65.7	79.7	-14.0
Arizona	23.0	25.4	- 2.4
Arkansas	29.7	41.8	-12.1
California	44.5	43.0	+ 1.5
Colorado	26.7	24.6	+ 2.1
Connecticut	37.6	39.5	- 2.0
Delaware	41.0	28.7	+12.3
District of Columbia	36.9	44.6	- 7.7
Florida	18.3	23.7	- 5.4
Georgia	25.1	32.4	- 7.3
Hawaii	37.3	40.1	- 2.8
Idaho	37.8	49.7	-11.9
Illinois	30.4	48.1	-17.7
Indiana	24.4	27.6	- 3.2
Iowa	29.5	37.7	- 8.2
Kansas	37.3	36.3	+ 1.0
Kentucky	24.5	44.5	-20.0
Louisiana	36.1	29.0	+ 7.1
Maine	41.4	44.0	- 2.6
Maryland	34.6	28.4	+ 6.2
Massachusetts	55.4	48.5	+ 6.9
Michigan	28.5	52.9	-24.4
Minnesota	38.3	39.2	- 0.9
Mississippi	23.4	34.0	-10.6
Missouri	34.0	51.7	-17.7
Montana	31.9	49.6	-17.7
Nebraska	32.4	30.6	+ 1.9
Nevada	36.7	41.0	- 4.3
New Hampshire	22.8	33.0	-10.2
New Jersey	44.2	62.7	-18.4
New Mexico	27.5	24.2	+ 3.3
New York	36.7	45.0	-8.3
North Carolina	29.5	29.5	+ 0.0
North Dakota	36.4	51.9	-15.4
Ohio	28.1	40.0	-11.9
Oklahoma	27.6	32.0	- 4.4
Oregon	37.8	41.4	- 3.6
Pennsylvania	43.1	52.3	- 9.1
Rhode Island	62.4	71.1	- 8.7
South Carolina	28.3	35.3	- 7.0
South Dakota	21.0	30.4	- 9.5
Tennessee	24.7	45.3	-20.6
Texas	23.0	24.0	- 1.0
Utah	31.7	43.8	-12.1
Vermont	38.1	53.0	-14.9
Virginia	16.6	23.7	- 7.1
Washington	37.0	35.3	+ 1.8
West Virginia	27.1	48.8	-21.7
Wisconsin	35.3	52.2	-16.9
Wyoming	34.7	26.9	+ 7.8
Nation	32.7	42.1	- 9.4

Sources: U.S. Department of Labor, unpublished tables.

*The years 1986 and 1979 were compared because they were both the fourth year of an economic recovery.

Table A14. State Revenue by Tax Source, 1986*

State	General Sales	Selective Sales	License	Individual Income	Corporate Income	Other
Alabama	28.0%	27.5%	8.7%	25.3%	5.2%	5.4%
Alaska	0.0	3.6	3.4	0.0	9.6	83.3
Arizona	45.7	16.0	7.1	22.0	5.3	4.0
Arkansas	38.1	19.1	6.6	27.9	6.2	2.1
California	33.7	8.5	3.4	36.8	12.4	5.2
Colorado	31.4	14.4	6.1	40.8	5.0	2.3
Connecticut**	42.4	22.6	5.4	7.8	16.1	5.8
Delaware	0.0	10.5	30.1	44.6	10.1	4.7
District of Columbia	21.0	9.7	2.2	25.9	8.8	32.4
Florida	55.1	22.3	6.8	0.0	5.3	10.4
Georgia	33.4	14.2	3.1	39.6	8.5	1.2
Hawaii	50.1	13.3	1.7	31.4	2.9	0.5
Idaho	33.6	16.7	9.0	34.4	5.7	0.5
Illinois	34.3	19.6	7.5	27.0	8.8	2.8
Indiana	48.5	12.7	3.2	29.8	4.1	1.7
Iowa	31.3	15.9	9.6	35.2	5.6	2.5
Kansas	29.3	17.0	6.5	30.5	8.2	8.5
Kentucky	27.4	17.2	5.8	25.5	7.3	16.8
Louisiana	31.3	20.8	9.7	12.6	7.3	18.3
Maine	34.8	19.7	7.4	30.6	4.7	2.7
Maryland	25.5	19.5	3.4	41.3	5.4	5.0
Massachusetts	22.4	10.5	2.7	47.2	13.9	3.3
Michigan***	28.8	11.6	5.7	34.9	15.6	3.4
Minnesota	27.7	17.4	7.0	39.8	7.5	0.7
Mississippi	53.8	14.5	8.0	14.2	5.1	4.5
Missouri	42.5	12.4	8.4	31.0	4.8	1.0
Montana	0.0	22.8	9.9	27.9	9.5	29.9
Nebraska	31.3	22.8	8.4	31.4	4.9	1.3
Nevada	49.6	36.0	11.2	0.0	0.0	3.2
New Hampshire**	0.0	45.3	16.9	5.1	20.4	12.2
New Jersey	31.3	23.3	6.2	24.6	11.4	3.2
New Mexico	42.8	15.0	4.4	7.0	4.9	25.8
New York	20.9	12.0	3.4	50.9	8.4	4.4
North Carolina	24.8	16.6	7.0	39.5	9.2	2.8
North Dakota	28.7	16.6	9.0	11.9	9.1	24.6
Ohio	34.9	19.5	8.9	30.6	5.3	0.7
Oklahoma	22.2	18.9	11.0	23.2	3.6	21.0
Oregon	0.0	14.1	12.6	61.8	8.4	3.1
Pennsylvania	30.3	19.4	10.6	24.9	9.0	5.7
Rhode Island	32.9	20.1	3.9	32.4	7.6	3.1
South Carolina	38.5	17.9	5.5	31.4	5.2	1.5
South Dakota	49.3	29.8	10.8	0.0	5.8	4.3
Tennessee**	57.0	19.9	10.2	2.1	8.2	2.6
Texas	38.9	30.0	16.0	0.0	0.0	15.0
Utah	40.9	13.3	4.2	33.1	4.9	3.6
Vermont	19.7	30.9	8.6	32.1	6.1	2.5
Virginia	21.0	19.4	6.3	44.9	5.8	2.5
Washington	59.6	16.4	5.1	0.0	0.0	18.9
West Virginia	43.9	18.1	5.9	25.9	4.8	1.4
Wisconsin	28.1	14.4	5.2	40.8	7.4	4.1
Wyoming	23.2	6.8	7.6	0.0	0.0	62.5
All States	32.8	16.5	6.5	29.6	8.1	6.6

Source: Advisory Commission on Intergovernmental Relations, *Significant Features of Fiscal Federalism*, 1987.

*The percentages for each state total to 100; that is, the figures reflect all state tax revenues.

**Connecticut, New Hampshire, and Tennessee have individual income taxes, but they are not broad-based.

***Michigan's corporate income tax operates in a similar fashion to a "value-added" tax. This approach may be more burdensome to poor people than corporate income taxes in other states.

Table A15. Tax Threshold and Income Tax Burden
(Family of Four, 1988)

State	Tax Threshold*	Threshold As Percent of Estimated Poverty Line	State Income Tax At $10,000 of Income
Alabama	$4,400	36.0%	$156
Alaska	no broad-based income tax		
Arizona	8,400	68.7	32
Arkansas	5,600	45.8	130
California	18,100	147.9	0
Colorado	12,800	104.6	0
Connecticut	no broad-based income tax		
Delaware	8,600	70.3	45
District of Columbia	12,800	104.6	0
Florida	no broad-based income tax		
Georgia	9,000	73.6	10
Hawaii**	5,900	41.9	116
Idaho	12,800	104.6	0
Illinois	4,000	32.7	150
Indiana	4,000	32.7	204
Iowa	7,500	61.3	144
Kansas**	6,000	49.0	115
Kentucky	4,300	35.1	281
Louisiana	11,000	89.9	0
Maine	6,200	50.7	39
Maryland***	12,900	105.4	0
Massachusetts	12,000	98.1	0
Michigan**	7,200	58.9	129
Minnesota**	12,800	104.6	0
Mississippi	15,900	130.0	0
Missouri	8,200	67.0	31
Montana	6,500	53.1	109
Nebraska	12,800	104.6	0
Nevada	no broad-based income tax		
New Hampshire	no broad-based income tax		
New Jersey	4,000	32.7	120
New Mexico**	12,000	98.1	0
New York	14,000	114.4	0
North Carolina**	4,300	35.1	252
North Dakota	12,800	104.6	0
Ohio	10,400	85.0	0
Oklahoma	8,900	72.7	33
Oregon**	9,300	76.0	50
Pennsylvania**	8,000	65.4	211
Rhode Island	15,100	123.4	0
South Carolina	12,800	104.6	0
South Dakota	no broad-based income tax		
Tennessee	no broad-based income tax		
Texas	no broad-based income tax		
Utah	10,900	89.1	0
Vermont	12,800	104.6	0
Virginia	5,900	48.2	93
Washington	no broad-based income tax		
West Virginia	8,000	65.4	60
Wisconsin**	10,800	88.3	0
Wyoming	no broad-based income tax		

Source: Center calculations for a two-parent family with two-children.

*Level of income at which a family begins owing state income tax; the tax thresholds shown here have been rounded to the nearest $100.

**These levels do not take into account non-personal credits that low income households normally would receive and that would raise the tax threshold and reduce the tax liability of these households.

***In 1987, Maryland established a state earned income tax credit which was designed to eliminate both state and local income taxes for families of four or fewer persons that have dependent children and that have incomes at or below the poverty line. The tax threshold figures shown here for Maryland reflect the new earned income credit.

Table A16. Property Tax Circuitbreaker Programs

State	Circuit-breaker?	Covers Households That Are Neither Elderly Nor Disabled?	Covers Renters?	Average Benefit	Income Limit
Alabama	no	no	no	--	--
Alaska	no	no	no	--	--
Arizona	yes	no	yes	$175	$5,500
Arkansas	yes	no	no	91	12,000
California	yes	no	yes	127	12,000
Colorado	yes	no	yes	271	11,200
Connecticut	yes	no	yes	290	16,000
Delaware	no	no	no	--	--
District of Columbia	yes	yes	yes	288	20,000
Florida	no	no	no	--	--
Georgia	no	no	no	--	--
Hawaii	no	no	no	--	--
Idaho	yes	no	no	181	13,120
Illinois	yes	no	yes	250	14,000
Indiana	no	no	no	--	--
Iowa	yes	no	yes	201	12,000
Kansas	yes	yes	yes	158	12,800
Kentucky	no	no	no	--	--
Louisiana	no	no	no	--	--
Maine	yes	yes	yes	**	9,200
Maryland	yes	yes	yes*	396	no limit
Massachusetts	no	no	no	--	--
Michigan	yes	yes	yes	397	83,650
Minnesota	yes	yes	yes	294	40,000
Mississippi	no	no	no	--	--
Missouri	yes	no	yes	138	12,000
Montana	yes	no	yes	194	no limit
Nebraska	yes	no	no	**	10,400
Nevada	yes	no	yes	168	15,100
New Hampshire	no	no	no	--	--
New Jersey	no	no	no	--	--
New Mexico	yes	no	yes	100	16,000
New York	yes	yes	yes	73	18,000
North Carolina	no	no	no	--	--
North Dakota	yes	no	yes	203	10,000
Ohio	yes	no	no	160	15,000
Oklahoma	yes	no	no	89	7,200
Oregon	yes	yes	yes	232	17,500
Pennsylvania	yes	no	yes	223	15,000
Rhode Island	yes	no	yes	177	12,500
South Carolina	no	no	no	--	--
South Dakota	yes	no	no	111	7,375
Tennessee	no	no	no	--	--
Texas	no	no	no	--	--
Utah	yes	no	yes	113	10,000
Vermont	yes	yes	yes	259	32,000
Virginia	no	no	no	--	--
Washington	no	no	no	--	--
West Virginia	yes	no	yes	18	5,000
Wisconsin	yes	yes	yes	370	16,500
Wyoming	no	no	no	--	--

Source: Steve Gold, *State Tax Relief For the Poor*, National Conference of State Legislatures, April 1987, as updated by the Center.

*Maryland's circuitbreaker covers elderly renters but does not cover nonelderly renters.

**Data not available.

Table A17. Low-Income Housing Assistance

State	Number of Renter Households Assisted 1985	Number of Very Low Income Renter Households 1983	Maximum* Number of Very Low Income Renter Households Assisted
Alabama	75,469	224,320	33.6%
Alaska	9,224	16,980	54.3
Arizona	34,638	139,320	24.9
Arkansas	38,709	130,840	29.6
California	336,310	1,564,110	21.5
Colorado	39,605	159,850	24.8
Connecticut	64,225	154,030	41.7
Delaware	10,422	29,060	35.9
District of Columbia	28,131	69,330	40.6
Florida	134,471	587,050	22.9
Georgia	115,297	337,760	34.1
Hawaii	16,175	53,160	30.4
Idaho	9,072	40,630	22.3
Illinois	168,448	646,150	26.1
Indiana	79,052	214,860	36.8
Iowa	31,076	115,350	26.9
Kansas	26,702	103,130	25.9
Kentucky	68,314	192,420	35.5
Louisiana	69,307	261,240	26.5
Maine	21,473	54,720	39.2
Maryland	81,215	210,330	38.6
Massachusetts	144,990	347,830	41.7
Michigan	123,958	409,380	30.3
Minnesota	77,519	169,070	45.9
Mississippi	40,148	143,000	28.1
Missouri	73,636	237,110	31.1
Montana	14,346	38,290	37.5
Nebraska	22,715	67,950	33.4
Nevada	15,016	47,620	31.5
New Hampshire	16,042	40,530	39.6
New Jersey	139,169	403,040	34.5
New Mexico	21,749	69,530	31.3
New York	454,852	1,484,980	30.6
North Carolina	97,754	305,840	32.0
North Dakota	12,311	27,840	44.2
Ohio	190,309	537,230	35.4
Oklahoma	55,721	153,030	36.4
Oregon	34,491	154,350	22.3
Pennsylvania	189,449	564,120	33.6
Rhode Island	32,398	63,370	51.1
South Carolina	45,692	156,080	29.3
South Dakota	16,827	35,230	47.8
Tennessee	91,364	259,260	35.2
Texas	196,290	766,090	25.6
Utah	10,039	57,390	17.5
Vermont	7,077	26,220	27.0
Virginia	79,566	262,530	30.3
Washington	57,265	224,990	25.5
West Virginia	26,844	86,230	31.1
Wisconsin	67,385	193,200	34.9
Wyoming	3,915	16,620	23.6
Total	3,816,172	12,652,690	30.2

Source: 1980 Census Data and 1983 Annual Housing Survey. Data on programs from Department of Housing, 1985 unpublished data.

*This is a maximum because not all households receiving assistance have "very low incomes." The number of "very low income" housing units in 1983 was compared to the number of assisted units in 1985 because both sets of data are the latest available on a state-by-state basis.

Table A18. Rental Housing Crisis Index, 1985

State	Number of Very Low Income Renter Households	Number of Very Low Income Rental Housing Units	Shortage of Very Low Income Renter Units*	Percentage by Which Number of Very Low Income Renter Households Exceeds Number of Very Low Income Renter Units*
Alabama	114,176	88,050	26,126	29.7%
Alaska	15,619	13,497	2,122	15.7
Arizona	86,414	45,407	41,007	90.3
Arkansas	68,570	57,205	11,364	19.9
California	1,084,277	294,871	789,406	267.7
Colorado	107,269	47,542	59,727	125.6
Connecticut	112,409	40,106	72,303	180.3
Delaware	18,241	8,155	10,086	123.7
District of Columbia	46,545	14,866	31,679	213.1
Florida	338,315	149,544	188,771	126.2
Georgia	186,738	120,916	65,822	54.4
Hawaii	40,509	26,803	13,706	51.1
Idaho	25,855	16,331	9,524	58.3
Illinois	430,524	154,265	276,260	79.1
Indiana	155,361	97,289	58,072	59.7
Iowa	84,506	51,834	32,672	63.0
Kansas	74,045	50,207	23,837	47.5
Kentucky	107,869	81,268	26,600	32.7
Louisiana	138,687	95,411	43,275	45.4
Maine	32,722	19,041	13,681	71.8
Maryland	158,231	56,459	101,772	180.3
Massachusetts	245,929	103,919	142,010	136.7
Michigan	248,874	118,202	130,671	110.5
Minnesota	116,703	55,578	61,125	110.0
Mississippi	68,245	60,592	7,653	12.6
Missouri	155,210	98,461	56,749	57.6
Montana	25,411	19,194	6,218	32.4
Nebraska	51,436	34,229	17,206	50.3
Nevada	35,076	9,635	25,441	264.1
New Hampshire	29,826	15,108	14,719	97.4
New Jersey	276,015	83,711	192,304	229.7
New Mexico	40,156	28,343	11,813	41.7
New York	928,319	390,630	537,689	137.6
North Carolina	184,072	136,009	48,062	35.3
North Dakota	20,277	13,832	6,445	46.6
Ohio	345,080	179,494	165,586	92.3
Oklahoma	93,467	61,682	31,785	51.5
Oregon	98,508	40,850	57,657	141.1
Pennsylvania	361,649	208,344	153,305	73.6
Rhode Island	39,762	19,262	20,500	106.4
South Carolina	87,615	70,536	17,079	24.2
South Dakota	21,238	16,453	4,786	29.1
Tennessee	144,900	97,660	47,240	48.4
Texas	501,509	285,175	216,333	75.9
Utah	37,448	18,791	18,657	99.3
Vermont	15,893	8,142	7,751	95.2
Virginia	182,823	96,930	85,892	88.6
Washington	150,819	69,547	81,271	116.9
West Virginia	51,696	46,403	5,293	11.4
Wisconsin	149,595	75,923	73,671	97.0
Wyoming	14,527	9,345	5,182	55.5
Nation	8,148,959	4,206,023	3,942,936	93.7

Source: Low Income Housing Information Service, see Endnote D.

*These figures are a measure of the extent to which the number of very low income renters in each state exceeds the supply of affordable rental housing. For example, the table indicates that in 1985 the number of very low income renter households in Alabama was 26,126 (or 29.7 percent) greater than the number of housing units in Alabama that rented for no more than 30 percent of these households' incomes.

Table A19. **Low Income Home Energy Assistance Program,**
(Fiscal Year 1987)

State	Low Income Household Expenditures on Heating and Cooling*	LIHEAP Appropriation	LIHEAP Appropriation As Percentage of Expenditures
Alabama	$168,031,609	$15,573,631	9.3%
Alaska	27,823,236	6,613,140	23.8
Arizona	62,510,427	6,829,512	10.9
Arkansas	134,341,676	11,942,509	8.9
California	403,233,178	83,605,689	20.7
Colorado	90,563,315	29,275,440	32.3
Connecticut	138,519,122	38,190,844	27.6
Delaware	45,404,981	5,069,099	11.2
District of Columbia	31,554,427	5,931,100	18.8
Florida	271,391,813	24,756,698	9.1
Georgia	186,047,186	19,580,270	10.5
Hawaii	na	1,971,840	na
Idaho	19,506,112	11,328,691	58.1
Illinois	607,298,261	105,705,664	17.4
Indiana	237,050,151	47,860,555	20.2
Iowa	140,467,020	33,919,416	24.1
Kansas	85,135,274	15,558,412	18.3
Kentucky	158,316,481	24,906,471	15.7
Louisiana	137,883,587	16,000,820	11.6
Maine	54,699,403	24,516,431	44.8
Maryland	195,610,486	29,242,247	14.9
Massachusetts	319,148,981	76,373,365	23.9
Michigan	563,836,086	100,175,914	17.8
Minnesota	220,581,158	72,262,451	32.8
Mississippi	113,463,109	13,403,793	11.8
Missouri	236,510,495	42,222,970	17.9
Montana	24,219,853	11,035,480	45.6
Nebraska	58,781,165	16,746,993	28.5
Nevada	29,035,670	3,547,711	12.2
New Hampshire	44,973,176	14,459,890	32.2
New Jersey	357,363,417	70,808,845	19.8
New Mexico	49,422,163	8,599,659	17.4
New York	980,939,193	231,388,436	23.6
North Carolina	241,931,295	34,215,241	14.1
North Dakota	26,970,008	12,846,329	47.6
Ohio	510,343,502	93,512,460	18.3
Oklahoma	140,390,569	13,676,675	9.7
Oregon	77,931,578	22,689,704	29.1
Pennsylvania	513,402,456	124,384,773	24.2
Rhode Island	53,266,651	12,486,618	23.4
South Carolina	110,618,416	12,430,143	11.2
South Dakota	33,943,381	9,997,410	29.5
Tennessee	179,122,229	25,229,722	14.1
Texas	513,907,160	41,200,153	8.0
Utah	42,840,836	13,294,932	31.0
Vermont	32,338,975	10,838,202	33.5
Virginia	217,456,792	35,620,327	16.4
Washington	107,079,809	35,911,956	33.5
West Virginia	80,697,598	16,482,503	20.4
Wisconsin	254,468,321	65,082,588	25.6
Wyoming	15,489,741	5,446,889	35.2
Nation	9,345,861,528	1,804,750,611	19.3

Sources: Center calculations from U.S. Department of Health and Human Services, unpublished tables and June 1987 telephone survey report.

*This column equals the Department of Health and Human Services' (HHS) estimate of the total heating and cooling costs incurred by low-income households in each state. They are rough estimates, because they are based on the number of low-income households in each state in 1979, state energy consumption patterns in 1984, and estimates of state energy costs in 1987. HHS uses this approach because precise state data covering more recent years are unavailable. Some energy policy analysts argue that the figures understate the energy needs of low-income households, because heating and cooling costs average less than half of total energy costs.

Table A20. WIC Data

State	WIC Participants June 1987*	Estimated WIC Eligibles, 1984	WIC Participation Rate	State WIC Supplement?	Participation Rate After State Supplement
Alabama	76,679	172,345	44.5	no	na
Alaska	5,867	14,888	39.4	no**	na
Arizona	54,885	107,565	51.0	no**	na
Arkansas	37,183	109,166	34.1	no	na
California	271,142	774,768	35.0	no	na
Colorado	37,530	72,544	51.7	no	na
Connecticut	44,208	64,360	68.7	no	na
Delaware	7,393	18,305	40.4	no	na
District of Columbia	11,128	14,434	78.1	yes	unavailable
Florida	118,231	299,461	39.5	no	na
Georgia	112,871	229,471	49.2	no	na
Hawaii	10,360	38,892	26.6	no	na
Idaho	16,331	52,249	31.3	no	na
Illinois	165,346	309,981	53.3	yes	57.4
Indiana	69,945	167,976	41.6	yes	new program****
Iowa	34,492	83,566	41.3	no	na
Kansas	26,157	75,609	34.6	no	na
Kentucky	68,500	149,926	45.7	no	na
Louisiana	90,80[illegible]	173,023	52.5	no	na
Maine	19,53[illegible]	43,267	45.2	no	na
Maryland	39,394	98,209	40.1	no	na
Massachusetts	56,931	132,164	43.1	yes	50.6
Michigan	128,765	226,193	56.9	yes	adm.***
Minnesota	55,111	106,989	51.5	yes	new program****
Mississippi	92,026	143,400	64.2	no	na
Missouri	60,039	157,275	38.2	no	na
Montana	13,815	31,208	44.3	no	na
Nebraska	20,553	47,729	43.1	no	na
Nevada	12,842	21,038	61.0	no	na
New Hampshire	13,268	24,514	54.1	no	na
New Jersey	73,274	173,250	42.3	no**	na
New Mexico	26,004	68,241	38.1	no	na
New York	254,514	558,005	45.6	yes	52.6
North Carolina	106,993	216,102	49.5	no	na
North Dakota	13,074	25,388	51.5	no	na
Ohio	183,136	313,828	58.4	no	na
Oklahoma	50,419	115,205	43.8	no	na
Oregon	33,782	80,379	42.0	no	na
Pennsylvania	152,548	307,322	49.6	yes	56.6
Rhode Island	14,077	24,910	56.5	no**	na
South Carolina	77,173	133,738	57.7	no	na
South Dakota	13,607	32,546	41.8	no	na
Tennessee	73,997	157,044	47.1	no	na
Texas	223,539	580,213	38.5	yes	41.2
Utah	32,726	91,702	35.7	no	na
Vermont	15,146	18,507	81.8	no	na
Virginia	68,593	158,595	43.3	no	na
Washington	41,142	119,679	34.4	yes	adm.***
West Virginia	27,415	69,930	39.2	no	na
Wisconsin	60,364	122,602	49.2	yes	52.4
Wyoming	9,552	13,141	72.7	no	na

Source: Center calculations, see Endnote E.

*This column is WIC participants served from federal funds.

**These states have "contingency funds" under which usually modest amounts of state funds may be used to cover WIC costs if the state overspends its federal WIC grant for a fiscal year by a small amount. To the best of our knowledge, none of these states have had to dip into the contingency funds and spend state money for WIC.

***Supplemental funds can be used only for administrative costs.

****Programs have just been funded and participation rates with state supplements are not yet available.

Table A21. Do Safety Nets Meet Reasonable Standards?
(Number in **boldface** indicates the standard is met)

(1) Maximum AFDC benefits for three-person families equal to or greater than half the poverty line (19 states meet this standard).

(2) AFDC benefits provided to two-parent families (28 states).

(3) SSI payments supplemented by more than the minimal amount of $15 per month for an individual, which brings total SSI benefits up to 78 percent of the poverty line for an elderly individual (21 states).

(4) A state general assistance program not restricted solely to disabled and elderly individuals (eight states).

(5) A Medicaid income eligibility limit for a three-person family equal to or greater than 75 percent of the poverty line (11 states).

State	(1)	(2)	(3)	(4)	(5)
Alabama	15.6%	no	0	no	15.6%
Alaska	**79.3**	no	**292**	no	**79.3**
Arizona	38.8	no	0	no	53.0
Arkansas	26.7	no	0	no	34.1
California	**83.7**	yes	**220**	no	**112.5**
Colorado	45.8	no	58	no	55.7
Connecticut	**79.5**	yes	**146**	yes	**82.7**
Delaware	41.0	yes	0	no	41.0
District of Columbia	48.1	yes	15	no	64.2
Florida	34.9	no	0	no	47.5
Georgia	34.8	no	0	no	46.3
Hawaii	**56.5**	yes	5	no	56.5
Idaho	40.2	no	**73**	no	40.2
Illinois	45.2	yes	**35**	no	60.6
Indiana	38.1	no	0	no	38.1
Iowa	**50.4**	yes	0	no	57.3
Kansas	**54.1**	yes	0	no	61.5
Kentucky	26.1	no	0	no	35.3
Louisiana	25.1	no	0	no	30.8
Maine	**53.6**	yes	10	no	73.8
Maryland	47.5	yes	0	no	55.2
Massachusetts	**67.5**	yes	**129**	yes	**87.1**
Michigan	**56.5**	yes	**29**	yes	71.4
Minnesota	**70.4**	yes	**35**	yes	**93.8**
Mississippi	15.9	no	0	no	48.7
Missouri	37.3	yes	0	no	37.3
Montana	47.5	yes	0	no	54.0
Nebraska	46.3	yes	**51**	no	59.5
Nevada	37.7	no	**36**	no	37.7
New Hampshire	**64.3**	no	**27**	no	64.3
New Jersey	**56.1**	yes	**31**	yes	74.9
New Mexico	34.9	no	0	no	34.9
New York	**65.7**	yes	**72**	yes	**81.6**
North Carolina	34.3	yes	0	no	46.3
North Dakota	49.1	no	0	no	57.6
Ohio	40.9	yes	0	yes	40.9
Oklahoma	41.0	no	**64**	no	62.3
Oregon	**54.5**	yes	2	no	72.6
Pennsylvania	**50.5**	yes	**32**	yes	56.2
Rhode Island	**63.4**	yes	**56**	no	**83.8**
South Carolina	26.5	yes	0	no	51.3
South Dakota	48.4	no	15	no	48.4
Tennessee	21.0	no	0	no	46.7
Texas	24.3	no	0	no	35.3
Utah	49.7	no	9	no	**91.7**
Vermont	**79.8**	yes	**57**	no	**99.2**
Virginia	46.8	no	0	no	47.4
Washington	**65.1**	yes	**28**	no	**76.1**
West Virginia	32.9	yes	0	no	38.4
Wisconsin	**72.6**	yes	**102**	no	**84.8**
Wyoming	47.6	no	**20**	no	47.6
Total Meeting Standards	19	28	21	8	11

Table A21. Do Safety Nets Meet Reasonable Standards? (continued)
(Number in **boldface** indicates the standard is met)

(6) Adoption of the SOBRA option making all pregnant women and young children in poverty eligible for Medicaid (25 states).

(7) Adoption of a Medicaid Medically Needy program for both families with children and for elderly and disabled people (35 states).

(8) At least two-fifths of the unemployed receiving unemployment insurance (eight states).

(9) At least 40 percent of state revenue collected through income taxes (16 states).

(10) A property tax circuitbreaker that is not restricted to households with an elderly or disabled person (10 states).

State	(6)	(7)	(8)	(9)	(10)	Number of Standards Met
Alabama	no*	no	23.6%	30.5%	no	0
Alaska	no	no	**65.7**	9.6	no	4
Arizona	yes	yes*	23.0	27.3	no	2
Arkansas	yes	yes	29.7	34.1	no	5
California	yes*	yes	**44.5**	**49.2**	no	8
Colorado	no	no	26.7	**45.8**	no	2
Connecticut	yes	yes	37.6	23.9	no	7
Delaware	yes	no	**41.0**	**54.7**	no	4
District of Columbia	yes	yes	36.9	34.7	yes	4
Florida	yes	yes	18.3	5.3	no	2
Georgia	no	no	25.1	**48.1**	no	1
Hawaii	no	yes	37.3	34.3	no	3
Idaho	no	no	37.8	**40.1**	no	2
Illinois	no*	yes	30.4	35.8	no	3
Indiana	no	no	24.4	33.9	no	0
Iowa	no	yes	29.5	**40.8**	no	4
Kansas	no	yes	37.3	38.7	yes	4
Kentucky	yes	yes	24.5	32.8	no	2
Louisiana	no	yes	36.1	19.9	no	1
Maine	no	yes	**41.4**	35.3	yes	5
Maryland	yes	yes	34.6	**46.7**	yes*	5
Massachusetts	yes	yes	**55.4**	**61.1**	no	9
Michigan	yes	yes	28.5	**50.5***	yes	8
Minnesota	no*	yes	38.3	**47.3**	yes	8
Mississippi	yes	no	23.4	19.3	no	1
Missouri	yes	no	34.0	35.8	no	2
Montana	no	yes	31.9	37.4	no	2
Nebraska	no	yes	32.4	36.3	no	3
Nevada	no	no	36.7	0.0	no	1
New Hampshire	no	yes	22.8	25.5	no	3
New Jersey	yes	yes	**44.2**	36.0	no	7
New Mexico	yes	no	27.5	11.9	no	1
New York	no	yes	36.7	**59.3**	yes	8
North Carolina	yes	yes	29.5	**48.7**	no	4
North Dakota	no	yes	36.4	21.0	no	1
Ohio	no*	no	28.1	35.9	no	2
Oklahoma	yes	yes	27.6	26.8	no	3
Oregon	yes	yes	37.8	**70.2**	yes	6
Pennsylvania	yes	yes	**43.1**	33.9	no	7
Rhode Island	yes	yes	**62.4**	**40.0**	no	8
South Carolina	yes	no	28.3	36.6	no	2
South Dakota	no	no	21.0	5.8	no	0
Tennessee	yes	yes	24.7	10.3	no	2
Texas	no	no	23.0	0.0	no	0
Utah	no	yes	31.7	38.0	no	2
Vermont	yes	yes	38.1	38.2	yes	7
Virginia	no	yes	16.6	**50.7**	no	2
Washington	yes*	yes	37.0	0.0	no	6
West Virginia	yes	yes	27.1	30.7	no	3
Wisconsin	no	yes	35.3	**48.2**	yes	7
Wyoming	no	no	34.7	0.0	no	1
Total Meeting Standards	25	35	8	16	10	–
Median						3

*Arizona has a special state Medically Needy program. Maryland's circuitbreaker covers only elderly renters, and not non-elderly renters. Michigan's corporate income tax is similar to a value-added tax, which can be regressive (without including the corporate income tax, Michigan would not achieve the standard). For additional information on the status of the SOBRA option for women and children in Alabama, California, Illinois, Minnesota, Ohio, and Washington, see footnote 19 in the text.

MEDICAID OPTIONS UPDATE

Most of the data presented in the Center's Safety Nets reports reflect the status of the state safety nets at the end of 1987. Conditions in 1988 are generally very similar to those prevailing at that time. There is one area, however, where a number of states have taken positive action in their 1988 legislative sessions -- to extend Medicaid coverage to more low-income pregnant women and children.

Through June, seventeen states have taken action in response to one of the newest state safety net options, the "SOBRA" option enacted by Congress in the fall of 1986, that allows states to extend Medicaid coverage to pregnant women and young children living in families with incomes up to 100 percent of the poverty line.

The states that have recently taken such action (and that plan to implement the option between July 1, 1988 and January 1, 1989) are: Alabama, Alaska, Georgia, Hawaii, Idaho, Indiana, Iowa, Kansas, Maine, Minnesota, Nebraska, Ohio, South Dakota, Utah, Virginia, Wisconsin, and Wyoming. (In Hawaii, the legislation awaits the expected signature of the Governor.)

In several of these states, the Medicaid expansion will be quite limited. For example, in Indiana, only pregnant women and young children in families with income up to 50 percent of the poverty line will be covered, while in Idaho, the income cut-off will be 67 percent of the poverty line. In some states -- including Alabama, Virginia, and Wyoming -- children will be covered only up to their first birthdays.

Several states also acted this spring to adopt another new option, passed by Congress in December 1987, that enables states to extend Medicaid coverage for pregnant women and infants up to 185 percent of the poverty line. States that reportedly have adopted this option are Maine, Massachusetts, Michigan, Minnesota, Mississippi, Rhode Island, and Vermont (which set their income limits at 185 percent of poverty) and Iowa and West Virginia (which set their income limits at 150 percent of poverty).

Impact on the Center's Rating of State Safety Nets

The Center's *National Overview* measures each state's safety net against a set of 10 adequacy standards. The ratings reflect the current status of the safety nets.

When the new state Medicaid expansions passed this year go into effect, there will be modest changes in these state rankings. Fifteen states will meet one more standard, due to their adoption of the SOBRA option. These states are: Alabama, Alaska, Georgia, Hawaii, Iowa, Kansas, Maine, Minnesota, Nebraska, Ohio, South Dakota, Utah, Virginia, Wisconsin and Wyoming. Idaho and Indiana are *not* considered to meet an additional standard, because the standard in question measures whether the state is providing Medicaid coverage to pregnant women and children with incomes up to the poverty line (or very close to it), while the SOBRA income limits adopted in these two states are thousands of dollars below the poverty line.

When these 15 states implement the SOBRA option, state performance in meeting the standards will be as follows:*

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*This information does not reflect smaller changes that may have occurred in other program areas covered by the standards. None of the other areas should have experienced substantial changes.

- As at present, no state will meet all 10 standards.
- The number of states meeting three or fewer criteria will remain high, dropping only from 30 to 28.
- Two states (Indiana and Texas) still will meet none of the standards. The two other states that currently meet none of the standards (Alabama and South Dakota) will meet one standard, as will five other states. Of these nine states that will meet either none or only one standard, a majority (five) are outside the South.
- The number of states meeting more than half of the criteria will edge up slightly from 13 to 14, when Maine, which will now meet six criteria, joins this group.
- Minnesota will join Massachusetts in meeting nine standards.

In short, while the adoption of the SOBRA option in more states is a positive step, the overall national picture of gaps in the safety net is not substantially changed.

Number of Standards Met by States After Latest SOBRA Expansions

Zero	One	Two	Three
Indiana	Alabama	Arizona	Illinois
Texas	Louisiana	Arkansas	New Hampshire
	Mississippi	Colorado	Ohio
	Nevada	Florida	Oklahoma
	New Mexico	Georgia	Utah
	North Dakota	Idaho	Virginia
	South Dakota	Kentucky	West Virginia
		Missouri	
		Montana	
		South Carolina	
		Tennessee	
		Wyoming	

Four	Five	Six	Seven
Delaware	Alaska	Maine	Connecticut
District of Columbia	Iowa	Oregon	New Jersey
Hawaii	Kansas	Washington	Pennsylvania
Nebraska	Maryland		Vermont
North Carolina			

Eight	Nine	Ten
California	Massachusetts	None
Michigan	Minnesota	
New York		
Rhode Island		
Wisconsin		

Revised June 14, 1988

ALABAMA

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Alabama Highlights

Estimated poverty rate, 1985	20.6%
Estimated number of poor, 1985	829,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	15.6%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	45.8%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	15.6%
Percentage of unemployed receiving unemployment insurance, 1986	23.6%
Percentage of state tax revenue from individual and corporate income tax, 1986	30.5%

Optional programs*	State has Program?	Number of states with program
AFDC-UP	no	28
AFDC emergency assistance	no	26
SSI state supplement	no	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	no	32
Medicaid "SOBRA" option		
Pregnant women and children	no**	25
Elderly and disabled	no	4
Medicaid Medically Needy program	no	36
Property tax circuitbreaker, 1985	no	31

*Data are from 1987, except where otherwise noted.

**The state is expected to implement this option in July 1988.

ALABAMA

An estimated 20.6 percent of the population of Alabama, or 829,000 people, lived in poverty in 1985, making Alabama one of the poorest states in the nation.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Alabama, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance generally receive a level of aid that leaves them well below the poverty line.

The safety net for poor people in Alabama is among the weakest in the nation. Alabama's level of AFDC cash assistance to single-parent families ranks 51st -- or last -- among all states and the District of Columbia, in large part because Alabama provides the same level of benefits as it did 11 years ago, despite increases in the Consumer Price Index of 96 percent over this period. The maximum AFDC benefit provided to a family of three with no other income is $118 a month, or less than one-sixth (15.6 percent) of the poverty line.

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1. The state poverty rate estimates for 1985 were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates, the latest available, are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. The national poverty rate in 1985 was 14.0 percent.

Moreover, Alabama has chosen not to extend AFDC and Medicaid benefits to two-parent families; there is no general cash assistance program for single people and childless couples who are not elderly or disabled; and the state is one of just seven in the nation not currently offering any of four key Medicaid options that provide health care coverage to members of poor families with children who do not receive AFDC benefits or to elderly and disabled people who do not receive SSI. More than half of the Southern states extend Medicaid coverage to pregnant women and infants with incomes up to the poverty line, but Alabama currently does not. The state's Medicaid eligibility limit is set at just 15.6 percent of the poverty line, making many families well below the poverty line, including those with pregnant women and infants, ineligible for health care coverage. Moreover, unlike most other states, Alabama also has chosen not to provide Medicaid to poor families with children whose high medical expenses reduce their income to levels that make them poorer than families on welfare.

Alabama is expected to take a positive step soon toward addressing one deficient area of its Medicaid program. In July 1988, the state is expected to implement the Medicaid option that extends Medicaid coverage to pregnant women and infants who live in families with incomes up to the poverty line.

Elderly and disabled people who are poor may receive the basic federal SSI grant, but this leaves them below the poverty line. Twenty-seven states supplement the basic SSI grant so that the elderly and disabled poor may be brought closer to or above the poverty line. Alabama is not one of these states.

Alabama also has a restrictive unemployment insurance program. In 1986, 23.6 percent of unemployed Alabamians -- fewer than one in four -- received unemployment insurance in an average month. This is the eighth lowest unemployment insurance coverage rate in the nation. For unemployed two-parent families and their children who do not qualify for or have exhausted their unemployment benefits (as well as for jobless single individuals and childless couples in this situation who are not elderly or disabled), little or no safety net exists. They are ineligible for virtually any cash assistance, regardless of how poor they may be. (In most cases, they are ineligible for health care coverage as well.)

While Alabama is one of the most restrictive states in terms of benefits for poor families, it is one of the toughest states in the nation in terms of taxing poor families. Alabama begins imposing state income tax on a family of four with just $4,400 a year in income, a level equal to only 36 percent of the poverty line. Only four states impose income taxes at a lower income level. Alabama is also one of only three states that fail to exempt either food or utilities from the sales tax or to provide a sales tax rebate to poor households and one of 20 states that fail to provide low income property tax relief.

These and other aspects of the Alabama safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis

discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly, and is weaker still for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for single individuals and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Alabama far below the poverty line. Unlike Social Security payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Alabama does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time. It has been 11 years since benefits were last adjusted.

In Alabama:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $118 per month, or $1,416 per year. This AFDC benefit equals just 15.6 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 51st out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $228 per month.

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

At most, AFDC and food stamp benefits combined can equal 45.8 percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a family of three without any income, AFDC benefit payments equal only 30.7 percent of the "need standard" set by Alabama. (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $1,764 per year, which equals 15.2 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 37.8 percent from 1970 to 1987 after adjusting for inflation. *AFDC benefits in Alabama were last raised in 1977.*

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Alabama who incurs deductible child care costs of $106 a month,[4] earnings of just $319 a month -- equal to 42.2 percent of the poverty line -- means the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Alabama:

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3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

4. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

- For a single mother with two children who does *not* get a child care deduction, earnings of only $213 a month -- equal to 28.2 percent of the poverty line -- means the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Alabama does not provide AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to unemployed two-parent families.[5] Some 28 states have such a program (known as "AFDC-UP").

- Alabama does *not* have an AFDC-UP program.

Since there is no AFDC-UP program, two-parent families in Alabama are ineligible for cash assistance other than unemployment insurance benefits, which are available only to a small minority of the unemployed.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

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5. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the low-income elderly and disabled with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the federal SSI grant, although only one state automatically adjusts these supplements for inflation.

In Alabama:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[6] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.

- Alabama does *not* supplement the basic federal SSI grant.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

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6. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Alabama:

- There is no general assistance program, thus leaving nondisabled, nonelderly singles and childless couples who are poor without *any* cash assistance (unless they are receiving unemployment insurance).

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program with the federal government, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though Alabama does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- Alabama, however, does not provide Medicaid coverage to two-parent families who meet its AFDC eligibility requirements.

Poor children and pregnant women from families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to poor two-parent families, since they are not eligible for AFDC benefits.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Alabama extends Medicaid coverage only to some income-eligible children under 18 years of age. It is one of 19 states that has chosen to restrict this coverage to certain small groups of children.

States also have discretion in setting income limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income

minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Alabama is one of 14 states that does *not* have a Medically Needy program. Consequently, in Alabama the Medicaid income eligibility limit is the same as the AFDC income eligibility limit, which is only 15.6 percent of the three-person poverty level.

Another key option is the SOBRA[7] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[8]

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7. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

8. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Alabama has not yet implemented a SOBRA program, leaving large numbers of pregnant women and young children from poor families without Medicaid coverage. (The state is expected to implement this option in July 1988.)

Alabama is one of seven states that has adopted *none* of the four key Medicaid options described above: coverage of two-parent families, coverage of Ribicoff children, a Medically Needy program, and SOBRA coverage of pregnant women and young children. Forty-one states have adopted two or more of these options.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Alabama covered 14 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Important services *not* covered by the Medicaid program in Alabama included dental services, occupational therapy, and care for speech, hearing, and language disorders.

The restrictiveness of the Medicaid program in Alabama is especially noteworthy because in 1985 the state infant mortality rate was 12.6 per thousand births, which was above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, including Alabama, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Alabama does not have a Medically Needy program for the low-income elderly and disabled.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the SOBRA law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Alabama has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the services mentioned above, Medicaid in Alabama does not pay for items and services such as dentures, private duty nursing, and physical therapy.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Alabama.

OTHER PROGRAMS

The remainder of this analysis examines several other programs or policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards,

have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Alabama:

- Only 23.6 percent of the unemployed, or fewer than one in every four, received unemployment insurance benefits in an average month in 1986.
- Alabama ranked 44th among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 37.1 percent of the unemployed in Alabama received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace no more than half of the wages an unemployed worker previously earned. In Alabama:

- Average unemployment insurance benefits equaled 30.5 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

The low level of unemployment insurance coverage in Alabama is of particular significance for poor individuals and families given the absence of an AFDC-UP program for two-parent families and the absence of any general cash assistance program. As a result, in households without an elderly or disabled person, unemployed single people as well as childless couples or two-parent families with an unemployed worker are unlikely to receive cash assistance from any level of government, no matter how poor they are.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Alabama, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes but which, in some areas, may also include local sales or income taxes -- are *not* reflected in this list.)

Individual income	25.3%
Corporation net income	5.2
General sales	28.0
Selective sales	27.5
License	8.7
Other taxes	5.4

As the table indicates, Alabama collects just 30.5 percent of its revenue through the state individual and corporate income taxes. This is less than the 36.6 percent of revenue raised through income taxes in the typical (or median) state with an individual income tax.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

In Alabama:

- If a two-parent family of four earns $10,000 a year, it will owe state income taxes of $156. By contrast, in the typical (or median) state with an income tax, such a family has a tax liability of $31.

- The income tax burden for a family at this income level is the fifth highest in the nation.

- A two-parent family of four begins to owe income taxes when its income reaches $4,400, which is 36.0 percent of the poverty line and the fifth lowest state income tax threshold in the nation. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Alabama:

- The sales tax rate was 4.0 percent in 1987.[9]

- 28.0 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Alabama:

- Food and utilities were *not* exempt from taxation. (There is one notable exception. By federal law, goods purchased with food stamps are not subject to sales tax.)

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Alabama does not have a sales tax credit.

In short, Alabama is one of just three states with a sales tax that fails to offset its burden on the poor by any of the measures described above -- exempting either food or utilities from taxation or providing a sales tax credit.

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9. In addition to the 4.0 percent state sales tax, some cities and counties also have sales taxes. For example, in Huntsville, there is a county sales tax of 1.0 percent and a city sales tax of 3.0 percent, while in Montgomery there is a county sales tax of 2.0 percent and a city sales tax of 2.0 percent. In both areas, the total state, county, and city sales tax equals 8.0 percent.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most areas, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Alabama does not have a circuitbreaker program.[10]

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically

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10. Circuitbreaker information is from 1985.

provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, 75,469 renter households in Alabama received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in Alabama totalled 224,320. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 33.6 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 33.6 percent figure -- as small as it is -- overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[11] In Alabama:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 29.7 percent. This represented a shortage of 26,126 very low-rent units. (The shortage, moreover, is understated, because some of the very low rent units were rented by households that did not have very low incomes.)

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11. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study that reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Alabama's share of the federal LIHEAP appropriation equaled 9.3 percent of the estimated total heating and cooling costs[12] of all low-income households in Alabama which were potentially eligible for assistance under federal guidelines. This percentage is expected to be even lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and

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12. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Alabama, only an estimated 44.5 percent of those who are eligible are served under the federally-funded WIC program.[13]

Some 11 states have chosen to provide states funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Alabama does not supplement the WIC program.

Alabama, however, may soon take an important step toward improving WIC participation by exploring methods to reduce substantially the price it pays for infant formula provided through its WIC program. It hopes to institute such methods during 1988. The state health department plans to use the resultant savings to reach more women and children who are eligible for WIC but are now unserved.

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13. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

ALASKA

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Alaska Highlights

Estimated poverty rate, 1985	8.8%
Estimated number of poor, 1985	46,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	79.3%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	101.5%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	79.3%
Percentage of unemployed receiving unemployment insurance, 1986	65.7%
Percentage of state tax revenue from individual and corporate income tax, 1986	9.6%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no	28
AFDC emergency assistance	no	26
SSI state supplement	yes	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	yes	34
Medicaid "SOBRA" option for pregnant women and children	no	25
Medicaid Medically Needy program	no	36
Property tax circuitbreaker, 1985	no	31

*Data are from 1987, except where otherwise noted.

ALASKA

An estimated 8.8 percent of the population of Alaska, or 46,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Alaska, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children.

Alaska's safety net fails to provide a number of significant supports. For example, the state has elected not to extend AFDC benefits and Medicaid coverage to two-parent families. In addition, maximum AFDC benefits for a family of four with no other income have declined 23.9 percent since 1970, after adjustment for inflation. Alaska's food stamp participation rate for AFDC households was the second lowest in the nation. Ongoing cash assistance to singles and childless and couples is lacking. There is no Medically Needy program

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. The national poverty rate in 1985 was 14.0 percent.

The poverty problem in Alaska is understated because Ross and Danziger followed the Census Bureau's procedure of using the same poverty line for all states, even though the cost-of-living is higher in Alaska.

for families who have gross incomes above the AFDC eligibility limits but who incur large medical expenses that leave them impoverished. Alaska is one of only two states whose Medicaid program does not cover prescribed drugs, according to a 1986 survey. Alaska also lacks a "circuitbreaker" program to help ease the burden of property taxes on low-income households.

These and other aspects of the Alaska safety net will be examined in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly, and is weaker still for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. Unlike Social Security payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. However, Alaska does index benefits to inflation.

In Alaska:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $749 per month, or $8,988 per year. This AFDC benefit equals 79.3 percent of the 1987 poverty line for a

family of three (the estimated three-person poverty line in Alaska[2] is $11,336 in 1987).

- In absolute value, this AFDC benefit level for a family of three ranks first out of all states.[3] Adjusting for the higher cost-of-living in Alaska, this AFDC benefit ranks fourth out of all states.

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $210 per month. At most, AFDC and food stamp benefits combined can equal 101.5 percent of the poverty line.[4]

  However, more than one of every three AFDC households in Alaska does not receive food stamps. Alaska's food stamp participation rate for AFDC households is the second lowest in the nation.[5]

- For a single-parent family of *four* without any income, maximum AFDC benefits are $9,996 per year, which equals 68.8 percent of the 1987 poverty line (the estimated four-person poverty line is $14,536 in 1987).

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2. In order to adjust for the higher cost of living in Alaska than in the continental United States, the estimated 1987 poverty line for the United States of $9,069 was inflated by 25 percent. Although this approach was not used in calculating the number of people in poverty in Alaska, it is used throughout the remainder of this analysis in calculating the effect of various poverty policies. An upward adjustment factor of 25 percent for Alaska is used by the federal government in determining eligibility for some programs.

3. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

4. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

5. According to a recent study by the U.S. General Accounting Office, only 65.4 percent of AFDC households in Alaska received food stamps in fiscal year 1986. The national average participation rate was 83.4 percent.

Households in which all members are covered by an AFDC grant are automatically eligible for food stamps, and nationwide some 93.7 percent of these households do receive food stamps. In Alaska, only 76.2 percent of these households receive food stamps. Among households consisting both of AFDC families and of other persons who reside with them, only 44.6 percent received food stamps in Alaska, far below the national average rate of 66.1 percent.

- Although AFDC benefits are now indexed to inflation, they have not kept pace with the rising cost of living since 1970. The maximum benefit for a four-person family fell 23.9 percent from 1970 to 1987 after adjusting for inflation.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Alaska does not provide AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- Alaska does *not* have an AFDC-UP program.

Since there is no AFDC-UP program and no ongoing general cash assistance program, two-parent families in Alaska are unlikely to be eligible for cash assistance, other than unemployment insurance benefits.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $378 -- or $1.03 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

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6. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[7]

In Alaska:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[8]

- Alaska supplements the basic federal SSI grant by $292 a month for an individual and $427 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 111.2 percent of the poverty line for an individual and 130.7 percent for a couple.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $44 per month for an individual and $47 per month for a couple.

- When the food stamp value is added to the maximum SSI payment, the combined assistance is equal to 119 percent of the poverty line for an individual and 137.2 percent for a couple. However, many SSI recipients who are eligible for food stamps do not receive them.

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7. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

8. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $6,819; for a two-person elderly household, it is $8,603.)

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Alaska:

- There is a state *emergency* assistance program serving needy persons. But nondisabled, nonelderly singles and childless couples who are poor are left without any on-going cash assistance (unless they are receiving unemployment insurance).

- For a household without any income, the monthly benefits are $120 for one person or $240 for a two-person household, which are equal to 19.9 percent and 31.1 percent of the respective poverty lines for these households.[9]

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $113 for an individual and $207 for a couple. However, these federal benefit levels are equal to only 18.8 percent and 26.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal government rules, but states have considerable discretion to decide which groups of low-income people are eligible and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program with the federal government, which

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9. In some statewide programs, the level of benefits varies by areas within the state; in these instances, benefit levels for the most representative area are cited.

often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on whatever state and local medical assistance programs for the indigent that may exist, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though Alaska does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- Alaska does not provide Medicaid coverage to two-parent families who meet its AFDC eligibility requirements.

Poor children and pregnant women from families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since poor two-parent families are not eligible for AFDC benefits.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Alaska extends Medicaid coverage to all income-eligible children under 21 years of age.

States also have discretion in setting income limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Alaska is one of 14 states that does *not* have a Medically Needy program. Consequently, in Alaska the Medicaid income eligibility limit is the same as the AFDC income eligibility limit, which is 79.3 percent of the three-person poverty level.

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase the Medicaid income limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to

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10. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Alaska does not have a SOBRA program, leaving some pregnant women and young children from poor families without Medicaid coverage.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Alaska covered 16 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Important items and services *not* covered by the Medicaid program in Alaska included coverage of prescribed drugs (only two state Medicaid plans failed to provide this option).

The restrictiveness of the Medicaid program in Alaska is especially noteworthy because in 1985 the state infant mortality rate was 10.8 per thousand births, which was above the national average of 10.6 per thousand births (which itself was higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, including Alaska, all of the elderly and disabled who receive SSI payments are eligible for Medicaid.

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11. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Alaska does *not* have a Medically Needy program for the low-income elderly and disabled.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to its failure to provide the services mentioned above, Medicaid in Alaska does not pay for items and services such as dentures and rehabilitative care.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Alaska.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Alaska:

- Some 65.7 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Alaska ranked first among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 79.7 percent of the unemployed in Alaska received unemployment insurance benefits in an average month.
- Although 1986 data were used here and in the national overview for comparative purposes, 1987 data were recently tabulated. In 1987, the percentage of the unemployed receiving unemployment insurance coverage fell to 57.5 percent.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Alaska:

- Average unemployment insurance benefits equaled 28.7 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Alaska, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which, in some areas, may also include local sales or income taxes -- are *not* reflected in this list.)

Individual income	0%
Corporation net income	9.6
General sales	0[12]
Selective sales	3.6
License	3.4
Other taxes	83.3

Alaska's heavy reliance on "other taxes" is unique. Nearly 90 percent of these taxes are a severance tax on oil and gas production, with most of the remainder a tax on oil and gas properties.

In contrast to the singularity of Alaska's state tax system, the heavy reliance of Alaska's *local* governments on property taxes is similar to what occurs in other states. In 1985, property taxes totaled 87.0 percent of local tax collections in Alaska. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

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12. Although there is no state general sales tax in Alaska, some cities do have general sales taxes. Fairbanks has a sales tax of 3.0 percent and Juneau has a sales tax of 4.0 percent.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Alaska does *not* have a circuitbreaker program.[13]

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 9,224 renter households in Alaska received federally-supported low-income housing assistance. These recipient households

13. Circuitbreaker information is from 1985.

include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number of "very low-income" renter households residing in Alaska totalled 16,980. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 54.3 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 54.3 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[14] In Alaska:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 15.7 percent. This represented a shortage of 2,122 very low-rent units. (The shortage, moreover, is understated, because some of the very low rent units were rented by households that did not have very low incomes.)

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of

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14. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers renter households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

many current federal low-income housing contracts, and the dearth in the production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Alaska's share of the federal LIHEAP appropriation equaled 23.8 percent of the estimated total heating and cooling costs[15] of all low-income households in Alaska which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

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15. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

- In Alaska, only an estimated 39.4 percent of those who are eligible are served under the federally-funded WIC program.[16]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Alaska does *not* supplement the WIC program.[17]

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16. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

17. Alaska does have a WIC "contingency fund" of $42,000 which may be used to cover WIC costs if the state overspends its federal WIC grant for a fiscal year. To the best of our knowledge, Alaska has not had to dip into the contingency fund and spend state money for WIC.

ARIZONA

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Arizona Highlights

Estimated poverty rate, 1985	10.7%
Estimated number of poor, 1985	341,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	38.8%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	67.8%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	53.0%
Percentage of unemployed receiving unemployment insurance, 1986	23.0%
Percentage of state tax revenue from individual and corporate income tax, 1986	27.3%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no	28
AFDC emergency assistance	no	26
SSI state supplement	no	27
Statewide general assistance	yes	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	no	4
Medicaid Medically Needy program	**	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	no	10
Covers renters	yes	25

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*Data are from 1987, except where otherwise noted.

**Arizona does not have a federal Medically Needy program; the state has instead a special state-funded Medically Indigent/Medically Needy program.

ARIZONA

An estimated 10.7 percent of the population in Arizona, or 341,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Arizona, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance are unlikely to receive a level of aid sufficient to lift them to the poverty line.

The safety net for poor people in Arizona contains some large holes. The maximum AFDC benefit for a mother and two children with no other income is $293 a month, or less than two-fifths (38.8 percent) of the poverty line. Even when food stamps are added in, the combined value of maximum AFDC and food stamp benefits equals only two-thirds of the poverty line for a family of three, in part because AFDC benefits have declined 28 percent since 1970, after adjusting for inflation. Arizona's AFDC benefit level ranks 35th in the nation. In addition, Arizona elects not to provide AFDC benefits to two-parent families.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985 the national poverty rate was 14.0 percent.

Although Arizona adopted the new Medicaid option that extends coverage to all pregnant women and young children who live in poor families, other members of these families may lack health care coverage. For all members of a three-person family with children to be eligible for state health care coverage, the family must have income (after medical expenses) of less than 53.0 percent of the poverty line.

Elderly and disabled people receive only the basic federal SSI grant, which leaves them below the poverty line. Some 27 states supplement the federal SSI benefit to bring the elderly and disabled poor closer to or above the poverty line, but Arizona is not one of them.

General cash assistance goes only to the disabled. Single individuals and childless couples who are poor, but are neither elderly nor disabled, are ineligible for general cash assistance. Moreover, fewer than one of every four unemployed people in Arizona received unemployment insurance in 1986. For the unemployed who either do not qualify for or have exhausted unemployment benefits, no cash assistance is available unless they are single parent families with children or elderly or disabled persons.

Arizona imposes significant tax burdens on its low income families. In 1988, a family of four begins owing state income tax at $8,400 of income, which is $3,700 below the projected 1988 poverty line. Arizona is one of 14 states with a sales tax that does not exempt utilities from the sales tax. In addition, the state limits its "circuitbreaker" property tax relief program to the low-income elderly, leaving out low income families with children.

These and other aspects of the Arizona safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Arizona well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Arizona does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Arizona:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $293 per month, or $3,516 per year. This AFDC benefit equals 38.8 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 35th out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $220 per month. At most, AFDC and food stamp benefits combined can equal 67.8 percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a family of three without any income, AFDC benefit payments equal only 47.2 percent of the state's "need standard." (States set their own

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.) Arizona last raised its need standard in 1985.

- For a single-parent family of *four* without any income, maximum AFDC benefits are $4,236 per year, which equals 36.4 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 27.6 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Arizona who incurs deductible child care costs of $106 a month,[4] earnings of $494 a month -- equal to 65.3 percent of the poverty line -- means the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Arizona:

- For a single mother with two children who does *not* get a child care deduction, earnings of only $388 a month -- equal to 51.3 percent of the poverty line -- means the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Arizona does not provide AFDC emergency assistance.

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4. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[5] Some 28 states have such a program (known as "AFDC-UP").

- Arizona does *not* have an AFDC-UP program.

Since there is no AFDC-UP program in Arizona, two-parent families with an unemployed primary earner are ineligible for cash assistance, other than unemployment insurance benefits, which are available only to a minority of the unemployed.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same for all states.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[6]

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5. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

6. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

In Arizona:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[7] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.

- Arizona does *not* supplement the basic federal SSI grant.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

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7. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

In Arizona:

- There is a state general assistance program, but it serves only disabled people or those who provide custodial care for disabled people. Thus nondisabled, nonelderly singles and childless couples who are poor are left without any cash assistance (unless they are receiving unemployment insurance).

- For a household without any income that rents living quarters or makes mortgage payments, the monthly benefits are $173 for one person or $233 for a two-person household, which are equal to 35.9 percent and 37.8 percent of the respective poverty lines for these households.[8]

Poor single adults and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program with the federal government, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC. (Arizona does not have a federal Medically Needy program; instead, the state funds a special Medically Indigent/Medically Needy health care program.)

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8. In some state programs, the level of general assistance benefits varies by areas within the state; in these instances, benefit levels for the most representative area are cited.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are often excluded from Medicaid coverage, but some of these poor households are eligible for other health care coverage in Arizona.

AHCCCS

Arizona operates an experimental Medicaid program called the "Arizona Health Care Cost Containment System" (AHCCCS). This federally-approved demonstration project began in 1982. The program is notable because it provides care through health maintenance organizations (HMOs); eligible people are enrolled in an HMO, their plan is pre-paid and the HMO provides for their health care. By contrast, in other states Medicaid provides compensation to medical care providers for the services received by eligible beneficiaries; that is, Medicaid provides assistance on a "fee-for-service" basis.

Families with Children

Families that receive AFDC are automatically entitled to Medicaid. Poor children and pregnant women from families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes and resources fall below a state's income eligibility limits (see below), regardless of whether the families receive AFDC or have one or both parents present. Arizona has already implemented this coverage provision for children up to five years of age.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states may extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families are entitled to receive AFDC, or have one or both parents present.

- Arizona extends AHCCCS Medicaid coverage to all income-eligible children under 18 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Arizona does not have a *federal* Medically Needy program. However, Arizona does have a special *state* program for the medically indigent and the medically needy. In addition to other eligibility criteria, to be eligible for coverage, a three-person family must have net income (medical expenses are the only allowable deduction) less than $4,810 a year, or 53.0 percent of the poverty line. Two-parent families are eligible to receive AHCCCS coverage under this program.

Another key option is the **SOBRA**[9] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to eligible poor pregnant women and young children living in families with incomes up to the poverty line.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the

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9. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[10]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Arizona has a SOBRA program, with an income eligibility limit equal to 100 percent of the Federal Poverty Income Guidelines.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Arizona covered 11 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Services *not* covered by the Medicaid program in Arizona included diagnostic, screening and preventive services other than those specifically covered under AHCCCS.

Elderly and Disabled

In most states, including Arizona, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI may qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Arizona does not have a federal Medically Needy program for the low-income elderly and disabled. However, elderly or disabled people may receive coverage under the special *state* Medically Needy program. Any person with an annual income of $3,200, after expenditures for medical

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10. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

care are deducted, is eligible for coverage. This eligibility limit is 58.7 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the SOBRA law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Arizona has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some key services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Arizona does not pay for services such as services for the elderly in mental institutions.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Arizona.

In addition, some singles and childless couples who are neither elderly nor disabled may qualify for AHCCCS Medicaid coverage under the special state Medically Needy program. For two persons, the income eligibility limit under this program equals 55.8 percent of the poverty line.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Arizona:

- Only 23.0 percent of the unemployed received unemployment insurance benefits in an average month in 1986.

- Arizona ranked 47th among all states by this measure.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Arizona:

- Average unemployment insurance benefits equaled 31.5 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

The low level of unemployment insurance coverage in Arizona is of particular significance for poor individuals and families given the absence of an AFDC-UP program for two-parent families and the limits to the state's general assistance program. As a result, in households without an elderly or disabled person, unemployed single people as well as childless couples or two-parent families with an unemployed worker are unlikely to receive cash assistance from any level of government, no matter how poor they are.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Arizona, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	22.0%
Corporation net income	5.3
General sales	45.7
Selective sales	16.0
License	7.1
Other taxes	4.0

As the table indicates, Arizona collects 27.3 percent of its revenue through the state individual and corporate income taxes. This is less than the 36.6 percent of revenue raised through income taxes in the typical (or median) state with an individual income tax.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

In Arizona:

- If a two-parent family of four earns $10,000 a year, it will owe state income taxes of $32.

- A two-parent family of four will begin to owe income taxes when its income reaches $8,400, which is 68.7 percent of the estimated 1988 poverty line. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Arizona:

- The sales tax rate was 5.0 percent in 1987.

- 45.7 percent of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Arizona:

- Utilities were *not* exempt from taxation; food was exempt.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Arizona does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Arizona has a circuitbreaker program.[11]
- Eligibility for the circuitbreaker is limited to low-income elderly homeowners and renters; thus it fails to assist the nonelderly and the disabled.
- The average annual benefit from the circuitbreaker in Arizona was $175 in 1985, and benefits could be extended to households with incomes up to $5,500.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible

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11. Circuitbreaker information is from 1985.

applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 34,638 renter households in Arizona received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number of "very low-income" renter households residing in Arizona totalled 139,320. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 24.9 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 24.9 percent figure -- as small as it is -- overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[12] In Arizona:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 90.3 percent. This represented a shortage of 41,007 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution,

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12. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Arizona's share of the federal LIHEAP appropriation equaled only 10.9 percent of the estimated total heating and cooling costs[13] of all low-income households in Arizona which were potentially eligible for assistance under federal guidelines. This percentage is expected to be even lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal

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13. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Arizona, an estimated 51.0 percent of those who are eligible are served under the federally-funded WIC program.[14]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Arizona does not supplement the WIC program.[15]

Arizona is one of 14 states that has a federally funded Commodity Supplemental Food Program (CSFP), which has a target population similar to that of WIC. (The WIC participation rate mentioned above did account for these CSFP participants. CSFP participants are ineligible for the WIC program; therefore, the Center adjusted USDA's 1984 WIC eligible pool by subtracting out CSFP participants who otherwise meet WIC eligibility criteria.) The CSFP program operates exclusively in Tucson and Flagstaff, where it serves 2,321 participants.

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14. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

15. Arizona does have a WIC "contingency fund" of $100,000 which may be used to cover WIC costs if the state overspends its federal WIC grant for a fiscal year. To the best of our knowledge, Arizona has not had to dip into the contingency fund and spend state money for WIC.

ARKANSAS

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs and services.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Arkansas Highlights

Estimated poverty rate, 1985	22.9%
Estimated number of poor, 1985	540,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	26.7%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	56.9%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	34.1%
Percentage of unemployed receiving unemployment insurance, 1986	29.7%
Percentage of state tax revenue from individual and corporate income tax, 1986	34.1%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no	28
AFDC emergency assistance	yes	26
SSI state supplement	no	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	no	10
Covers renters	no	25

*Data are from 1987, except where otherwise noted.

ARKANSAS

An estimated 22.9 percent of the population of Arkansas, or 540,000 people, lived in poverty in 1985,[1] making Arkansas the second poorest state in the nation. This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Arkansas, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance are unlikely to receive a level of aid sufficient to lift them close to the poverty line.

Although Arkansas has taken some positive steps in recent years to strengthen policies that aid the poor, including education reforms not discussed here, its safety net remains weak or absent in many significant areas of need. The state's level of AFDC cash assistance to single-parent families ranks 44th among all states, and is equal to only about one-fourth of the poverty line. In addition, Arkansas does not provide AFDC benefits to two-parent households.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. The national poverty rate in 1985 was 14.0 percent.

For all members of a three-person family to be eligible for Medicaid, the family must have income (after medical expenses and limited other deductions) less than 34.1 percent of the poverty line. In a positive step, Arkansas has adopted a new Medicaid option by which the state will extend coverage (by the end of 1988) to all pregnant women and young children who live in families with incomes up to the poverty line.

Elderly and disabled people in Arkansas receive only the basic federal SSI grant, which leaves elderly and disabled SSI beneficiaries below the poverty line. Twenty-seven states supplement the federal SSI benefit; Arkansas is not one of them.

In addition, Arkansas does not have a general cash assistance program for singles or childless couples who are not elderly or disabled.

In 1986, only 29.7 percent of the unemployed received unemployment benefits in an average month in Arkansas. Since Arkansas has no AFDC-UP program for poor two-parent families and no general assistance for poor single individuals and childless couples, those unemployed workers and their families who either do not qualify for or have exhausted their unemployment benefits are ineligible for any cash assistance regardless of the extent of their poverty, unless they are single parents or elderly or disabled people.

While providing limited benefits to low income families, the state does impose significant taxes on them. Arkansas imposes state income taxes on families of four when their income reaches $5,600 a year; this represents a slight increase from the 1986 level of $5,000, but is still less than half the poverty line and is the seventh lowest state income tax threshold in the nation. Arkansas also fails to exempt food from the sales tax and limits its low income property tax relief program to elderly homeowners, making it one of the two most restrictive low income property tax relief programs in the nation.

These and other aspects of the safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for single individuals and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Arkansas well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Arkansas does not index benefits to inflation, and the value of its AFDC benefits has declined over time.

In Arkansas:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $202 per month, or $2,424 per year. This AFDC benefit equals just 26.7 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 44th out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $228 per month. At most, AFDC and food stamp benefits combined can equal 56.9 percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a family of three without any income, AFDC benefit payments equal only 29.1 percent of the state's "need standard." (States set their own

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $2,856 per year, which equals 24.6 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 18.5 percent from 1970 to 1987 after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Arkansas who incurs deductible child care costs of $106 a month,[4] earnings of $403 a month -- equal to 53.3 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Arkansas:

- For a single mother with two children who does *not* get a child care deduction, earnings of only $297 a month -- equal to 39.3 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. Families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Arkansas provides AFDC emergency assistance.

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4. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[5] Some 28 states have such a program (known as "AFDC-UP").

- Arkansas does *not* have an AFDC-UP program.

Since there is no AFDC-UP program in Arkansas, two-parent families with an unemployed primary earner are ineligible for cash assistance, other than unemployment insurance benefits, which are available only to a minority of the unemployed.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same for all states.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[6]

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5. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

6. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as nursing homes).

In Arkansas:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[7] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.

- Arkansas does *not* supplement the basic federal SSI grant.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

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7. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

In Arkansas:

- There is no general assistance program, thus leaving nondisabled, nonelderly singles and childless couples who are poor without *any* cash assistance (unless they are receiving unemployment insurance).

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program with the federal government, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though Arkansas does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- Arkansas does *not* provide Medicaid coverage to two-parent families who meet its AFDC income eligibility requirements.

Poor children and pregnant women from families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since two-parent families in Arkansas do not receive AFDC benefits.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Arkansas extends Medicaid coverage to all income-eligible children under 21 years of age.

States also have discretion in setting income limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining

income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Arkansas, a family of three with a monthly countable income of less than $258, after deducting medical expenses, is eligible for Medicaid.[8] This income eligibility limit is equal to 34.1 percent of the poverty line for a family of three.

Another key option is the **SOBRA**[9] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[10]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Arkansas has a SOBRA program, but it has set an income limit equal to

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8. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

9. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

10. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

75 percent of the federal poverty level. However, this income limit will be increased to 100 percent of the poverty line later in 1988.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Arkansas covered 20 out of 32 possible optional Medicaid services. Services *not* covered by the Medicaid program in Arkansas included physical and occupational therapy.

The provisions of the Medicaid program in Arkansas are especially noteworthy because in 1985 the state infant mortality rate was 11.6 per thousand births, which was above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, including Arkansas, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a Medically Needy program for the elderly and disabled. Some 34 states have done so.

- Arkansas has a Medically Needy program for the low-income elderly and disabled, but it has adopted a very limited program. An elderly or disabled person with a monthly income of $108, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is a mere 23.8 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the SOBRA law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Arkansas has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid

programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Arkansas does not pay for private duty nursing.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Arkansas.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, though subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Arkansas:

- Only 29.7 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Arkansas ranked 30th among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 41.8 percent of the unemployed in Arkansas received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Arkansas:

- Average unemployment insurance benefits equaled 39.0 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

The low level of unemployment insurance coverage in Arkansas is of particular significance for poor individuals and families given the absence of an AFDC-UP program for two-parent families and the absence of any general cash assistance program. As a result, in households without an elderly or disabled person, unemployed single people as well as childless couples or two-parent families with an unemployed worker are unlikely to receive cash assistance from any level of government, no matter how poor they are.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of the income of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Arkansas, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	27.9%
Corporation net income	6.2
General sales	38.1
Selective sales	19.1
License	6.6
Other taxes	2.1

As the table indicates, Arkansas collects 34.1 percent of its revenues through the state individual and corporate income taxes. This is slightly less than the 36.6 percent of revenue raised through income taxes in the typical (or median) state with an individual income tax.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

In Arkansas:

- If a two-parent family of four earns $10,000 a year, it will owe state income taxes of $130. By contrast, in the typical (or median) state with an income tax, such a family has a tax liability of $31.

- The income tax burden for a family at this income level is the eighth highest in the nation.

- A two-parent family of four will begin to owe income taxes when its income reaches $5,600, which is 45.8 percent of the estimated 1988 poverty line and the seventh lowest state income tax threshold. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption.

In Arkansas:

- The sales tax rate was 4.0 percent in 1987.

- 38.1 percent of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Arkansas:

- Food was *not* exempt from taxation;[11] utilities were partially exempt from taxation. (The utilities exemption is limited in scope. Arkansas exempts the first 500 kilowatt hours of electricity per month for residential customers whose incomes are not more than $12,000 per year.)

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Arkansas does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

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11. By federal law, goods purchased with food stamps are exempt from the sales tax.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Arkansas has a circuitbreaker program.[12]

- However, Arkansas has one of the two most restrictive circuitbreakers in the country. Eligibility for the circuitbreaker is limited to elderly homeowners. All low income renter households and all low income homeowners who are not elderly are ineligible.

- By contrast, 25 of the other 30 states with circuitbreaker programs do cover renters (of the five other states that only cover homeowners, four, unlike Arkansas, cover disabled homeowners in addition to elderly homeowners), and 10 states also cover households which are neither elderly nor disabled.

- The average annual benefit from the circuitbreaker in Arkansas was $91 in 1985, and benefits could be extended to households with incomes up to $12,000.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-

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12. Circuitbreaker information is from 1985.

income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 38,709 renter households in Arkansas received federally-supported low-income housing assistance. These recipient households included both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the numbers of just "very low-income" renter households residing in Arkansas totalled 130,840. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 29.6 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 29.6 percent figure -- as small as it is -- overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of low rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[13] In Arkansas:

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13. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 19.9 percent. This represented a shortage of 11,364 very low-rent units. (The shortage is understated, because some of the very low-rent units were rented by households that did not have very low incomes.)

Unfortunately, the large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Arkansas's share of the federal LIHEAP appropriation equaled only 8.9 percent of the estimated total heating and cooling costs[14] of all low-income households in Arkansas which were potentially eligible for assistance under federal guidelines. This percentage is expected to be even lower

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14. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Arkansas, an estimated 34.1 percent of those who are eligible are served under the federally-funded WIC program.[15]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Arkansas does *not* supplement the WIC program.

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15. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

CONNECTICUT

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Connecticut Highlights

Estimated poverty rate, 1985	7.6%
Estimated number of poor, 1985	241,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	79.5%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	96.4%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	82.7%
Percentage of unemployed receiving unemployment insurance, 1986	37.6%
Percentage of state tax revenue from individual and corporate income tax, 1986	23.9%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	no	26
SSI state supplement	yes	27
Statewide general assistance	yes	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	no**	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	no	10
Covers renters	yes	25

*Data are from 1987, except where otherwise noted.

**The strength of other assistance provisions in Connecticut may make this decision irrelevant.

CONNECTICUT

An estimated 7.6 percent of the population of Connecticut, or 241,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

Many of those who are poor in Connecticut receive government assistance. But their eligibility and the level of assistance are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children.

A number of holes remain in Connecticut's safety net, even though it has a stronger system of government assistance to the poor than most other states. The maximum AFDC benefit for a family of four dropped 27.3 percent from 1970 to 1987, after adjusting for inflation -- maximum AFDC benefits equalled 79.5 percent of the poverty line in 1987. In addition, Connecticut lacks an AFDC emergency assistance program, which is used in 26 other states to provide aid to homeless families with children and families facing other emergency situations.

For all members of a three-person family to be eligible for Medicaid, the family must have income (after medical expenses and limited other deductions)

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

less than 82.7 percent of the poverty line. Connecticut, moreover, is one of only 14 states that does not extend Medicaid eligibility to all of its SSI recipients.

Some key aspects of the state tax system place a heavy burden on the poor. Connecticut has no broad-based income tax and instead relies heavily on sales taxes, which are more regressive and more burdensome to low-income households than are income taxes. Connecticut lacks a sales tax relief program targeted at low income households, which several other states have. The state's low income property tax relief program (the "circuitbreaker" program) is limited to elderly people, thus failing to relieve the burden of property taxes on nonelderly low-income households. Of the 30 other states with circuitbreakers, only 11 limit the circuitbreaker to the elderly, as Connecticut does.

Finally, low-income households of all types are confronted with a serious housing shortage. In 1985, the number of very low-income renter households in Connecticut was nearly three times the number of low-rent units.

These and other aspects of the Connecticut safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Even though Connecticut now indexes benefits to inflation, the value of its AFDC benefits has declined markedly since 1970.

In Connecticut:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $601 p month, or $7,212 per year.[2] This AFDC benefit equals 79.5 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks fourth out of all states.[3]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $128 per month. At most, AFDC and food stamp benefits combined can equal 96.4 percent of the poverty line.[4] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $8,412 per year, which equals 72.3 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 27.3 percent from 1970 to 1987, after adjusting for inflation.

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2. Connecticut has three benefit regions; the figures above are from the region with the highest rents.

3. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

4. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Connecticut does *not* provide AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[5] Some 28 states have such a program (known as "AFDC-UP").

- Connecticut has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) some families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986, only 1.5 percent of the AFDC caseload in Connecticut consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same for all states.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

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5. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and asset eligibility requirements.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[6]

In Connecticut:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[7]

- Connecticut supplements the basic federal SSI grant by $146 a month for an individual and $89 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 106.9 percent of the poverty line for an individual and 104.4 percent for a couple.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. Because of Connecticut's relatively high state SSI supplement, an individual who has no other income except the maximum combined SSI benefit and who qualifies for the average level of deductions received by elderly food stamp households is ineligible for food stamp benefits. A couple receiving the maximum combined SSI benefit qualifies for food stamp benefits of $37 per month.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 106.9 percent of the poverty line for individuals and 110.8 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

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6. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

7. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Connecticut:

- There is a state general assistance program serving needy people. To be eligible for benefits, however, a household must have *no* assets.
- For a household without any income, the monthly benefits are $315 for one person or $419 for a two-person household, which are equal to 65.4 percent and 67.9 percent of the respective poverty lines for these households.[8]

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program with the federal government, which often prompts them to limit eligibility and to restrict the number of services provided.

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8. Benefit levels are for two of the state's three regions.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of eligibility provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Nationwide, despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children and pregnant women from families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many poor two-parent families do not receive AFDC benefits. (For example, poor two-parent families with full-time workers are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid

income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Connecticut extends Medicaid coverage to all income-eligible children under 21 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Connecticut, a family of three with a monthly countable income of less than $625, after deducting medical expenses, is eligible for Medicaid.[9] This income eligibility limit is equal to 82.7 percent of the poverty line for a family of three.

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC,

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9. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

10. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Connecticut has a SOBRA program with an income eligibility limit equal to the federal poverty level.[12]

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Connecticut covered 25 out of 32 possible optional Medicaid services.

Elderly and Disabled

In most states, all of the elderly and disabled who receive SSI payments are eligible for Medicaid.

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11. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

12. In addition, in 27 provider sites throughout Connecticut, the Maternal and Infant Health Protection Project (MIHPP) provides up to $400 of outpatient prenatal care for pregnant women and infant health services for infants up to 18 months of age from families with incomes less than 185 percent of the federal poverty level who are not eligible for Medicaid and do not have other insurance coverage.

Some states have especially restrictive Medicaid eligibility criteria for the elderly and disabled and *fail* to cover all SSI recipients under Medicaid. (These states are sometimes called "209(b) states" due to the section of federal law that permits them to adopt Medicaid eligibility criteria that are more restrictive than the criteria used for SSI.) States are permitted to use Medicaid eligibility criteria as restrictive as those they used for their elderly and disabled poor in January 1972, before SSI began.

- Connecticut is one of just 14 states that does *not* extend Medicaid eligibility to all SSI recipients.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Connecticut has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $383, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 84.3 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Connecticut has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option, but the strength of other assistance provisions may make this decision irrelevant.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the service mentioned above, Medicaid in Connecticut does not pay for certain services for those aged 65 or older in mental institutions and for personal care services.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. Health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Connecticut.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Connecticut:

- Only 37.6 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Connecticut ranked 13th among all states by this measure.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Connecticut:

- Average unemployment insurance benefits equaled 36.5 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Connecticut, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income (capital gains and dividends)	7.8%
Corporation net income	16.1
General sales	42.4
Selective sales	22.6
License	5.4
Other taxes	5.8

Connecticut's individual income tax is on capital gains and dividends (this is a progressive form of taxation). It is one of only 10 states without a broad-based individual income tax.

As the table indicates, Connecticut collects just 23.9 percent of its revenue through the state individual and corporate income taxes. This is less than the 36.6 percent of revenue raised through income taxes in the typical (or median) state with an individual income tax.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption.

In Connecticut:

- The sales tax rate was 7.5 percent in 1987, which was the highest state sales tax rate in the nation. In the typical state with a general sales tax, the sales tax rate was five percent.

- 42.4 percent of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Connecticut:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Connecticut does *not* have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits,

and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Connecticut has a circuitbreaker program.[13]
- However, eligibility for the circuitbreaker is limited to elderly homeowners and renters; thus it fails to assist the nonelderly and the disabled.
- The average annual benefit from the circuitbreaker in Connecticut was $290 in 1985, and benefits could be extended to elderly households with incomes up to $16,000.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households

13. Circuitbreaker information is from 1985.

that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 64,225 renter households in Connecticut received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number of just "very low-income" renter households residing in Connecticut totalled 154,030. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 41.7 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 41.7 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[14] In Connecticut:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income households exceeded the number of very low-rent units by *180.3 percent*. This represented a shortage of 72,303 very low-rent units.

Unfortunately, the already large gap between the number of low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find

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14. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Connecticut's share of the federal LIHEAP appropriation equaled 27.6 percent of the estimated total heating and cooling costs[15] of all low-income households in Connecticut which were potentially eligible for assistance under federal guidelines. This percentage is expected to be even lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

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15. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

- In Connecticut, an estimated 68.7 percent of those who are eligible are served under the federally-funded WIC program.[16]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Connecticut does *not* supplement the WIC program.

16. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

DELAWARE

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Delaware Highlights

Estimated poverty rate, 1985	11.4%
Estimated number of poor, 1985	71,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	41.0%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	69.4%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	41.0%
Percentage of unemployed receiving unemployment insurance, 1986	41.0%
Percentage of state tax revenue from individual and corporate income tax, 1986	54.7%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	yes	26
SSI state supplement	no	27
Statewide general assistance	yes	25
Full use of Ribicoff option for children	no	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	no	4
Medicaid Medically Needy program	no	36
Property tax circuitbreaker, 1985	no	31

*Data are from 1987, except where otherwise noted.

DELAWARE

An estimated 11.4 percent of the population of Delaware, or 71,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Delaware, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance are likely to receive a level of benefits that leaves them below the poverty line.

The safety net for poor people in Delaware contains some large holes. Among these is the low level of AFDC cash assistance to single-parent families. Delaware's AFDC benefit levels rank 32nd among all the states and the District of Columbia, despite the fact that Delaware ranks 11th in the nation in per capita income.[2]

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985 the national poverty rate was 14.0 percent.

2. The per capita income ranking used here is based on 1987 data. The Center's companion report, *Holes in the Safety Nets -- National Overview*, used 1986 data, the latest available at the time it was prepared. In 1986, Delaware ranked 14th.

The maximum AFDC benefit for a family of three with no other income equals about two-fifths (41 percent) of the poverty level. The benefit for a family of four with no other income has dropped 33.5 percent since 1970, after adjustment for inflation. If food stamps are counted as income and added in, maximum combined AFDC plus food stamp benefits are currently a little more than two-thirds of the poverty line.

In addition, for all members of a poor family with children to qualify for Medicaid coverage, the family must have income well below half of the poverty line, which leaves many poor families with children without Medicaid coverage.

In a positive step, Delaware has adopted the new option that extends Medicaid coverage to pregnant women and young children who live in families with incomes up to the poverty line.

General cash assistance goes only to the disabled and the elderly, leaving impoverished single individuals and childless couples who are not elderly or disabled without aid. These households are also unlikely to receive health care coverage. Elderly and disabled people receive only the basic federal SSI grant, which leaves elderly and disabled SSI beneficiaries below the poverty line. Twenty-seven states supplement the federal SSI benefit to bring the elderly and disabled poor closer to or above the poverty line, but Delaware is not one of these states.

These and other aspects of the Delaware safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Delaware well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Delaware does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Delaware:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $310 per month, or $3,720 per year. This AFDC benefit equals 41.0 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 32nd out of all states.[3]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $215 per month. At most, AFDC and food stamp benefits combined can equal only 69.4 percent of the poverty line.[4] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $4,356 per year, which equals 37.5 percent of

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3. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

4. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 33.5 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Delaware who incurs deductible child care costs of $106 a month,[5] earnings of $511 a month -- equal to 67.6 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Delaware:

- For a single mother with two children who does *not* get a child care deduction, earnings of $405 a month -- equal to 53.6 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Delaware provides AFDC emergency assistance.

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5. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- Delaware has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986 only 1.2 percent of the AFDC caseload in Delaware consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same for all states.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[7]

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6. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

7. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as nursing homes).

In Delaware:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[8] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.

- Delaware does *not* supplement the basic federal SSI grant.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

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8. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one- and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

In Delaware:

- There is a state general assistance program, but it serves only persons who are disabled or who are aged 55 or older. Thus nondisabled singles and childless couples who are poor and under age 55 are left without any cash assistance (unless they are receiving unemployment insurance).

- For a household without any income, the monthly benefits are $119 for one person or $166 for a two-person household, which are equal to 24.7 percent and 26.9 percent of the respective poverty lines for these households.[9]

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not*

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9. In some statewide programs, the level of general assistance benefits varies by areas within the state; in these instances, benefit levels for the most representative area are cited.

have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children and pregnant women from families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Delaware extends Medicaid coverage only to some income-eligible children under 21 years of age. It is one of 19 states that has chosen to restrict this coverage to small groups of children, such as those in foster care.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Delaware is one of 14 states that does *not* have a Medically Needy program. Consequently, in Delaware the Medicaid income eligibility limit is the same as the AFDC income eligibility limit, which is only 41.0 percent of the three-person poverty level.

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

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10. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

11. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (i.e., children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Delaware has a SOBRA program, with an income eligibility limit equal to the federal poverty level. However, instead of covering children up to their second birthday as is now allowed by federal law, the Delaware program only covers children up to their first birthday.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Delaware covered 14 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Important services *not* covered by the Medicaid program in Delaware included dental services and occupational therapy.

The provisions of the Medicaid program in Delaware are especially noteworthy because in 1985 the state infant mortality rate was 14.8 per thousand births, which was well above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations). (Delaware's 1985 infant mortality rate was substantially higher than its 1984 rate of 10.8 per thousand births. The sharp increase may be due in part to the random variation related to the estimating procedure used for this data from the National Center for Health Statistics.)

Elderly and Disabled

In most states, including Delaware, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Delaware does *not* have a Medically Needy program for the low-income elderly and disabled.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Delaware has *not* adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Delaware does not pay for items and services such as dentures, eyeglasses, and rehabilitative services.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Delaware.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states

(spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Delaware:

- Some 41.0 percent of the unemployed received unemployment insurance benefits in an average month in 1986.

- Delaware ranked eighth among all states by this measure.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Delaware:

- Average unemployment insurance benefits equaled 38.6 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Delaware, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	44.6%
Corporation net income	10.1
General sales	0
Selective sales	10.5
License	30.1
Other taxes	4.7

As the table indicates, Delaware collects 54.7 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

In Delaware:

- If a two-parent family of four earns $10,000 a year, it will owe state income taxes of $45. By contrast, in the typical (or median) state with an income tax, such a family has a tax liability of $31.

- A two-parent family of four will begin to owe income taxes when its income reaches $8,600, which represents an increase from the 1986 threshold of $5,600, but is still just 70.3 percent of the estimated 1988 poverty line. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Delaware:

- There is no general sales tax, but 10.5 percent of revenue is collected through selective sales taxes.

Local property taxes are generally very burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Delaware does *not* have a circuitbreaker program.[12]

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

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12. Circuitbreaker information is from 1985.

- In 1985, some 10,422 renter households in Delaware received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in Delaware totalled 29,060. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 35.9 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 35.9 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[13] In Delaware:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by *123.7 percent*. This represented a shortage of 10,086 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of

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13. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Delaware's share of the federal LIHEAP appropriation equaled only 11.2 percent of the estimated total heating and cooling costs[14] of all low-income households in Delaware which were potentially eligible for assistance under federal guidelines. This percentage is expected to be even lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

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14. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

- In Delaware, only an estimated 40.4 percent of those who are eligible are served under the federally-funded WIC program.[15]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Delaware does *not* supplement the WIC program.

15. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

ILLINOIS

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Illinois Highlights

Estimated poverty rate, 1985	15.6%
Estimated number of poor, 1985	1,800,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	45.2%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	73.1%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	60.6%
Percentage of unemployed receiving unemployment insurance, 1986	30.4%
Percentage of state tax revenue from individual and corporate income tax, 1986	35.8%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	yes	26
SSI state supplement	yes	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	no**	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	no	10
Covers renters	yes	25

*Data are from 1987, except where otherwise noted.

**The state legislature passed a law allowing this SOBRA option to be implemented, but has not provided funding.

ILLINOIS

An estimated 15.6 percent of the population of Illinois, or 1,800,000 people, lived in poverty in 1985.[1] This rate exceeded the national rate of 14.0 percent. This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

Many of those who are poor in Illinois receive government assistance. But their eligibility and the level of assistance are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of aid that leaves them below the poverty line.

The safety net for the poor in Illinois contains some large gaps. Its level of cash assistance to single-parent households ranks 30th among all states and the District of Columbia, despite the fact that Illinois ranks ninth in per capita income.[2] This puts Illinois in a tie for second place among all the states in the

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985 the national poverty rate was 14.0 percent.

2. The per capita income ranking used here is based on 1987 data. The Center's companion report, Holes in the Safety Nets -- National Overview, used 1986 data, the latest available at the time it was prepared.

disparity between per capita income ranking and AFDC benefit level ranking. Maximum AFDC benefits to families with no other income amount to less than half of the poverty line and have fallen 53 percent since 1970 (after adjustment for inflation), the fourth steepest decline of any state. The combined value of maximum AFDC and food stamp benefits leave a recipient family without other income several thousand dollars below the poverty line.

For all members of a family with children to be eligible for Medicaid, the family must have income (after medical expenses and some limited deductions) of less than 60.6 percent of the poverty line. Illinois has yet to fund the key Medicaid option that extends coverage to all pregnant women and young children in poverty.

Fewer than one of every three unemployed people receive unemployment insurance in Illinois. Also, low-income households in Illinois are confronted with a severe housing shortage. In 1985, the number of very low-income renter households was nearly three times as great as the number of very low-rent units.

Finally, Illinois imposes significant tax burdens on its low income population. In 1988, a family of four begins owing Illinois state income tax when its income reaches just $4,000, or only one third of the estimated poverty line. This ties with two other states for the lowest income tax threshold of any state in the nation. No other state imposes the tax on four-person families that are this poor. Moreover, while Illinois has a "circuitbreaker" program to provide property tax relief to low income households, the circuitbreaker is restricted to low-income elderly and disabled households and leaves out low-income families with children who have high property tax burdens.

These and other aspects of the Illinois safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Illinois well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Illinois does not index benefits to inflation, and the value of its AFDC benefits has declined sharply over time.

In Illinois:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $342 per month, or $4,104 per year.[3] This AFDC benefit equals 45.2 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 30th out of all states.[4]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $211 per month. At most, AFDC and food stamp benefits combined can equal 73.1 percent of the poverty line.[5] (Most, but not all, AFDC beneficiaries receive food stamps.)

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3. Illinois has three benefit regions. Data here are from Cook County.

4. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

5. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

- For a family of three without any income, AFDC benefit payments equal only 49.6 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $4,632 per year, which equals 39.8 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 53.1 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Illinois who incurs deductible child care costs of $106 a month,[6] earnings of $543 a month -- equal to 71.8 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Illinois:

- For a single mother with two children who does *not* get a child care deduction, earnings of only $437 a month -- equal to 57.8 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

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6. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

- Illinois provides AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[7] Some 28 states have such a program (known as "AFDC-UP").

- Illinois has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986 only 6.3 percent of the AFDC caseload in Illinois consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same for all states.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one

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7. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

state automatically adjusts these supplements for inflation.[8] Moreover, even though Illinois supplements SSI, the combined SSI assistance is insufficient to lift elderly and disabled individuals out of poverty.

In Illinois:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[9]

- Illinois supplements the basic federal SSI grant by $35 a month for an individual and $33 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 82.5 percent of the poverty line for an individual and 94.7 percent for a couple.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $32 per month for an individual and $53 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 89.5 percent of the poverty line for individuals and 104.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

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8. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

9. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

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Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Illinois:

- Under very broad state guidelines, townships can establish their own general assistance programs.
- State standards apply only if the township accepts state funds; otherwise, townships are subject to no requirements to provide any particular minimum level of assistance or to meet any minimum coverage standards.
- In addition, the general assistance program in Chicago is operated by the state and conforms to state standards. For a household with no income, the monthly benefits are $154 for one person or $308 for a two-adult household, equal to 32.0 percent and 49.9 percent of the poverty lines for these households.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children and pregnant women from families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many poor two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Illinois extends Medicaid coverage to all income-eligible children under 18 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a Medically Needy program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Illinois, a family of three with a monthly countable income of less than $458, after deducting medical expenses, is eligible for Medicaid.[10] This income eligibility limit is equal to 60.6 percent of the poverty line for a family of three.

Another key option is the **SOBRA**[11] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the

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10. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

11. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[12]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- The state legislature has passed legislation allowing this SOBRA option to be implemented by administrative action, but has not yet provided funding, leaving large numbers of pregnant women and young children from poor families without Medicaid coverage. (Illinois does have state programs that provide subsidized prenatal care to the medically indigent who are not eligible for Medicaid.)

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Illinois covered 27 out of 32 possible optional Medicaid services. Services *not* covered by the Medicaid program in Illinois included screening and personal care services.

The restrictiveness of the Medicaid program in Illinois is especially noteworthy because in 1985 the state infant mortality rate was 11.7 per thousand births, which was above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some states have especially restrictive Medicaid eligibility criteria for the elderly and disabled and *fail* to cover all SSI recipients under Medicaid. (These states are sometimes called "209(b) states" due to the section of federal law that

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12. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

permits them to adopt Medicaid eligibility criteria that are more restrictive than the criteria used for SSI.) States are permitted to use Medicaid eligibility criteria as restrictive as those they used for their elderly and disabled poor in January 1972, before SSI began.

- Illinois is one of just 14 states that does *not* extend Medicaid eligibility to all SSI recipients.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Illinois has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $267, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 58.7 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the SOBRA law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Illinois has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Illinois.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal

funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Illinois:

- Only 30.4 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Illinois ranked 29th among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 48.1 percent of the unemployed in Illinois received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Illinois:

- Average unemployment insurance benefits equaled 34.8 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Illinois, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	27.0%
Corporation net income	8.8
General sales	34.3
Selective sales	19.6
License	7.5
Other taxes	2.8

As the table indicates, Illinois collects 35.8 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

In Illinois:

- If a two-parent family of four earns $10,000 a year, it will owe state income taxes of $150. By contrast, in the typical (or median) state with an income tax, such a family has a tax liability of $31.

- The income tax burden for a family at this income level is the sixth highest in the nation.

- A two-parent family of four will begin to owe income taxes when its income reaches $4,000, which is 32.7 percent of the estimated 1988 poverty line. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Illinois:

- The sales tax rate was 5.0 percent in 1987.[13]

- 34.3 percent of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Illinois:

- Utilities were *not* exempt from taxation; food was exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Illinois does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

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13. In addition to the state sales tax, some cities and counties have sales taxes. In Chicago, the city, county, and transportation sales tax totals 3.0 percent, bringing the total state and local sales tax to 8.0 percent. In another example, in Peoria the city and county sales tax total 2.25 percent, bringing the total state and local sales tax to 7.25 percent.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Illinois has a circuitbreaker program.[14]

- However, the circuitbreaker is limited to elderly and disabled homeowners and renters, thus failing to assist the nonelderly and nondisabled.

- The average annual benefit from the circuitbreaker in Illinois was $250 in 1985, and benefits could be extended to eligible households with incomes up to $14,000.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

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14. Circuitbreaker information is from 1985.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, 168,448 renter households in Illinois received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number of "very low-income" renter households residing in Illinois totalled 646,150. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 26.1 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 26.1 percent figure -- as small as it is -- overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households

substantially exceeds the number of very low-rent units in most states.[15] In Illinois:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 179.1 percent. This represented a shortage of 276,260 low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide

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15. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Illinois' share of the federal LIHEAP appropriation equaled 17.4 percent of the estimated total heating and cooling costs[16] of all low-income households in Illinois which were potentially eligible for assistance under federal guidelines. This percentage is expected to be even lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

Illinois has a pilot program that helps fill the energy assistance gap and helps prevent utility shutoffs. Households with incomes equal to or less than 125 percent of the poverty line are eligible for assistance. From November through April, utility costs for recipient households are limited to 12 percent of their income. The pilot program ends at the close of 1988, although the program may be made permanent.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Illinois, an estimated 53.3 percent of those who are eligible are served under the federally-funded WIC program.[17]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Illinois supplements the WIC program, bringing the overall percentage of WIC eligibles who are served to 57.4 percent.

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16. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

17. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

Illinois is one of 14 states that has a federally funded Commodity Supplemental Food Program, which has a target population similar to that of WIC. The WIC participation rates mentioned above did account for these CSFP participants.[18] CSFP serves 12,031 participants in Illinois.

18. CSFP participants are ineligible for the WIC program; therefore, the Center adjusted USDA's 1984 WIC eligible pool by subtracting out CSFP participants who otherwise meet WIC eligibility criteria.

LOUISIANA

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Louisiana Highlights

Estimated poverty rate, 1985	18.1%
Estimated number of poor, 1985	812,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	25.1%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	55.3%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	30.8%
Percentage of unemployed receiving unemployment insurance, 1986	36.1%**
Percentage of state tax revenue from individual and corporate income tax, 1986	19.9%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no	28
AFDC emergency assistance	no	26
SSI state supplement	no	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	no	32
Medicaid "SOBRA" option		
Pregnant women and children	no	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	no	31

*Data are from 1987, except where otherwise noted.

**In 1987, coverage fell to 28.7 percent.

LOUISIANA

An estimated 18.1 percent of the population of Louisiana, or 812,000 people, lived in poverty in 1985,[1] making it one of the poorest states in the nation. This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Louisiana, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance generally receive a level of aid that leaves them well below the poverty line.

The safety net for poor people in Louisiana is among the weakest in the nation. Its level of AFDC cash assistance to single-parent households ranks 47th among all states and the District of Columbia. A mother and two children with no other income received a maximum AFDC benefit of $190 a month in 1987, which equaled only one-fourth of the poverty line. From 1980 to 1987, AFDC benefits for families with no other income fell 26.5 percent in Louisiana, after adjusting for inflation.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

In addition, Louisiana does not provide AFDC benefits to two-parent families with children who are poor. Twenty-eight states do provide this coverage. Louisiana also does not have an AFDC emergency assistance program, which is used in 26 other states, sometimes assisting groups such as homeless families.

Medicaid eligibility is also tightly constrained, with many poor families left outside the program. For a single-parent family of three to receive Medicaid coverage, the family must have income (after medical expenses and some limited deductions) of less than 30.8 percent of the poverty line. Louisiana also has not adopted a state option to provide Medicaid coverage to pregnant women and infants with incomes up to the poverty line, an option that a majority of the Southern states have taken.

The safety net is weakest for poor single individuals and childless couples who are not elderly or disabled. Louisiana lacks a general cash assistance program for such households. They are usually ineligible for either government cash aid or health care coverage.

Elderly and disabled people who are poor fare better, but their safety net also has sizable holes. They may receive the basic federal SSI grant; however, this still leaves them below the poverty line. Twenty-seven states supplement the basic SSI grant so that the elderly and disabled poor may be brought closer to or above the poverty line. Louisiana is not one of these states.

Louisiana's unemployment insurance program also provides limited assistance. In 1987, 28.7 percent of unemployed Louisianians -- a little more than one in four -- received unemployment insurance in an average month. The combination of low unemployment insurance coverage, the lack of AFDC-UP for two-parent families and the absence of a general assistance program for single individuals and childless couples means that unemployed workers and their families who do not qualify for or have exhausted their unemployment benefits are often ineligible for any cash assistance, unless they are single parents (or elderly or disabled people).

These and other aspects of the Louisiana safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent

families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Louisiana well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Louisiana does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Louisiana:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $190 per month, or $2,280 per year.[2] This AFDC benefit equals 25.1 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 47th out of all states.[3]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $228 per month. At most, AFDC and food stamp benefits combined can equal 55.3

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2. Benefit levels discussed here are for urban areas.

3. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

percent, just a little over half, of the poverty line.[4] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a family of three without any income, AFDC benefit payments equal only 31.1 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $2,808 per year, which equals 24.1 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 26.5 percent from 1970 to 1987, after adjusting for inflation. AFDC benefits in Louisiana were last raised in 1982.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Louisiana who incurs deductible child care costs of $106 a month,[5] earnings of $391 a month -- equal to 51.7 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Louisiana:

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4. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

5. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

- For a single mother with two children who does *not* get a child care deduction, earnings of $285 a month -- equal to 37.7 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Louisiana does not provide AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- Louisiana does *not* have an AFDC-UP program.

Since there is no AFDC-UP program in Louisiana, two-parent families with an unemployed primary earner are ineligible for cash assistance, other than unemployment insurance benefits, which are available only to a minority of the unemployed.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same for all states.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

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6. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[7]

In Louisiana:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[8] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.

- Louisiana does *not* supplement the basic federal SSI grant.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient

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7. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

8. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Louisiana:

- There is no general assistance program, thus leaving nondisabled, nonelderly singles and childless couples who are poor without *any* cash assistance (unless they are receiving unemployment insurance).

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though Louisiana does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- Louisiana provides Medicaid coverage to two-parent families with an unemployed primary earner who meet its AFDC income eligibility requirements.

Children, pregnant women, and other members of poor families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Louisiana extends Medicaid coverage only to some income-eligible children under 21 years of age. It is one of 19 states that has chosen to restrict this coverage to small groups of children, such as those in foster homes.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Louisiana, a family of three with a monthly countable income of less than $233, after deducting medical expenses, is eligible for Medicaid.[9] This income eligibility limit is equal to 30.8 percent, less than one third, of the poverty line for a family of three.

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the

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9. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

10. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Louisiana does not have a SOBRA program, leaving large numbers of pregnant women and young children from poor families without Medicaid coverage.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Louisiana covered 16 out of 32 possible optional Medicaid services for many Medicaid households, which is less than the 21 options covered in the median state. Important services *not* covered by the Medicaid program in Louisiana included emergency hospital services.

- For households that received Medicaid coverage under the Medically Needy option, service coverage was even more limited, with only 9 options covered. Additional services not covered for these households included many services for the mentally impaired.

The restrictiveness of the Medicaid program in Louisiana is especially noteworthy because in 1985 the state infant mortality rate was 11.9 per thousand births, which was above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, including Louisiana, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

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11. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Louisiana has a Medically Needy program for the low-income elderly and disabled. The program, however, is very limited. An elderly or disabled person with a monthly income of $100, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 22.0 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Louisiana has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Louisiana does not pay for services such as private duty nursing.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Louisiana.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Louisiana:

- Some 36.1 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Louisiana ranked 21st among all states by this measure.
- Although 1986 data were used here and in the national overview for comparative purposes, 1987 data were recently tabulated. In Louisiana, the percentage of the unemployed receiving unemployment insurance fell to 28.7 percent in 1987. Nationwide, coverage fell to 31.5 percent in 1987, another historic low.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Louisiana:

- Average unemployment insurance benefits equaled 43.0 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum

period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Louisiana, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	12.6%
Corporation net income	7.3
General sales	31.3
Selective sales	20.8
License	9.7
Other taxes	18.3

As the table indicates, Louisiana collects just 19.9 percent of its revenue through the state individual and corporate income taxes. This is substantially less than the 36.6 percent of revenue raised through income taxes in the typical (or median) state with an individual income tax.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes.

In Louisiana:

- A two-parent family of four will begin to owe income taxes when its income reaches $11,000, which is 89.9 percent of the estimated 1988 poverty line.

For poor households in most states, sales tax burdens are heavy. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Louisiana:

- The sales tax rate was 4.0 percent in 1987.
- 31.3 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Louisiana:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Louisiana does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Louisiana does *not* have a circuitbreaker program. However, the state does have a "homestead exemption" program that offers a tax credit for the first $75,000 of assessed valuation. It is not targeted to low-income households and is extended only to homeowners.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 69,307 renter households in Louisiana received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in Louisiana totalled 261,240. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 26.5 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 26.5 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[12] In Louisiana:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 45.4 percent. This represented a shortage of 43,275 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The small proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

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12. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Louisiana's share of the federal LIHEAP appropriation equaled only 11.6 percent of the estimated total heating and cooling costs[13] of all low-income households in Louisiana which were potentially eligible for assistance under federal guidelines. This percentage is expected to be even lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Louisiana, an estimated 52.5 percent of those who are eligible are served under the federally-funded WIC program.[14]

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13. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

14. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Louisiana does not supplement the WIC program.

Louisiana is one of 14 states that has a federally funded Commodity Supplemental Food Program which has a target population similar to that of WIC. The WIC participation rate mentioned above did account for these CSFP participants.[15] CSFP operates in New Orleans City and Parish, where it serves 19,061 participants.

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of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

15. CSFP participants are ineligible for the WIC program; therefore, the Center adjusted USDA's 1984 WIC eligible pool by subtracting out CSFP participants who otherwise meet WIC eligibility criteria.

MAINE

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Maine Highlights

Estimated poverty rate, 1985	11.9%
Estimated number of poor, 1985	139,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	53.6%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	78.2%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	73.8%
Percentage of unemployed receiving unemployment insurance, 1986	41.4%
Percentage of state tax revenue from individual and corporate income tax, 1986	35.3%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	yes	26
SSI state supplement	yes	27
Statewide general assistance	yes	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	no	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker	yes	31
Covers households other than the elderly or disabled	yes	10
Covers renters	yes	25

*Data are from 1987, except where otherwise noted.

MAINE

An estimated 11.9 percent of the population of Maine, or 139,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

Many of those who are poor in Maine receive government assistance. But their eligibility and the level of assistance are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of aid that is not sufficient to lift them to the poverty line.

Although Maine has adopted many of the optional programs to aid the poor, sizable holes in its safety net remain. A mother and two children with no other income receives a maximum AFDC benefit equal to just over half (53.6 percent) of the poverty line. Even when food stamps are added in, the total still comes to just over three-fourths (78.2 percent) of the poverty line.

In addition, many poor families are not eligible for Medicaid, because the income eligibility threshold is more than 25 percent below the poverty line (after

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

medical expenses and some limited deductions). Maine has yet to adopt the Medicaid option to expand coverage to all pregnant women and young children below the poverty line. Moreover, Maine's Medicaid program does not cover dentures or care for the elderly in mental institutions.

Maine's SSI supplements of $10 a month for an individual and $15 a month for a couple do not lift elderly and disabled recipients to the poverty line. Twenty-three of the other 26 states providing SSI supplements provide larger supplements than those of Maine.

These and other aspects of the Maine safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Maine below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state.

In Maine:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $405 per month, or $4,860 per year. This AFDC benefit equals 53.6 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 17th out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $186 per month. At most, AFDC and food stamp benefits combined can equal 78.2 percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a family of three without any income, AFDC benefit payments equal only 72.6 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $6,108 per year, which equals 52.5 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Maine provides AFDC emergency assistance.

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[4] Some 28 states have such a program (known as "AFDC-UP").

- Maine has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986, only 6.3 percent of the AFDC caseload in Maine consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one

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4. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

state automatically adjusts these supplements for inflation.[5] Moreover, even though Maine supplements SSI, the combined SSI assistance is insufficient to lift elderly and disabled individuals out of poverty.

In Maine:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[6]

- Maine supplements the basic federal SSI grant but by small amounts -- $10 a month for an individual and $15 a month for a couple. (Of the 27 states that supplement the federal SSI grant, only three states have lower supplement levels than those of Maine.) Together, the maximum federal and state supplemental SSI grants equal 77.0 percent of the poverty line for an individual and 91.5 percent for a couple.

- The value of the state supplement, after adjustment for inflation, declined by 56.6 percent for an individual and 56.6 percent for a couple from 1974 (the year SSI started) to 1987.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $39 per month for an individual and $59 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 85.6 percent of the poverty line for individuals and 101.8 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

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5. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

6. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Maine:

- Municipal general assistance programs serve needy people under statewide eligibility guidelines. Levels of assistance are set by the municipalities with the approval of the state.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may

receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid.

Poor children and pregnant women from families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many poor two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Maine extends Medicaid coverage to all income-eligible children under 21 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid

income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Maine, a family of three with a monthly countable income of less than $541, after deducting medical expenses, is eligible for Medicaid.[7]

- However, Maine is one of only seven states where the Medically Needy threshold is *lower than* the AFDC income eligibility limit of $558 per month or 73.8 percent of the poverty line. Therefore, the Medically Needy program extends coverage only to those families whose medical expenses drive their countable income somewhat below the state's AFDC income eligibility limit.

Another key option is the **SOBRA**[8] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

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7. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

8. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[9]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Maine does *not* have a SOBRA program, leaving large numbers of pregnant women and young children from poor families without Medicaid coverage.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Maine covered 25 out of 32 possible optional Medicaid services. Services *not* covered by the Medicaid program in Maine included clinic services. In addition, those people who qualify for Medicaid under the Medically Needy provision are not eligible for emergency hospital services.

Elderly and Disabled

In most states, including Maine, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Maine has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $358,

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9. Over time the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 78.8 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the SOBRA law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Maine has *not* adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Maine does not pay for services such as dentures and services for those aged 65 or older in mental institutions.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Maine.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Maine:

- 41.4 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Maine ranked seventh among all states by this measure.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Maine:

- Average unemployment insurance benefits equaled 40.7 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Maine, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	30.6%
Corporation net income	4.7
General sales	34.8
Selective sales	19.7
License	7.4
Other taxes	2.7

As the table indicates, Maine collects just 35.3 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

In Maine:[10]

- If a two-parent family of four earns $10,000 a year, it will owe state income taxes of $39. By contrast, in the typical (or median) state with an income tax, such a family has a tax liability of $31.
- A two-parent family of four will begin to owe income taxes when its income reaches $6,200, which is 50.7 percent of the estimated 1988

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10. In 1987, a *one-year* no-tax floor tied to the federal standard deduction and personal exemption was in effect. In 1988, the legislature is expected to adopt permanent revisions. The figures in this chapter reflect what the state income tax will be if the state legislature fails to act; that is, the figures reflect 1986 law which, without legislative action, will be the law for 1988.

poverty line. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Maine:

- The sales tax rate was 5.0 percent in 1987.

- 34.8 percent of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Maine:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Maine does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some

states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Maine has a circuitbreaker program.
- In 1987, all low-income homeowners and renters could use the circuitbreaker. (The all-inclusive eligibility provision expires in 1988. Various proposals are under discussion by the state government to revise and extend this provision.)
- Benefits can be extended to households with incomes up to $9,200.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 21,473 renter households in Maine received federally-supported low-income housing assistance. These recipient households

include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in Maine totalled 54,720. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 39.2 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 39.2 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of low-income renter households substantially exceeds the number of very low-rent units in most states.[11] In Maine:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by *71.8 percent*. This represented a shortage of 13,681 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

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11. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Maine's share of the federal LIHEAP appropriation equaled 44.8 percent of the estimated total heating and cooling costs[12] of all low-income households in Maine which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

12. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

- In Maine, only an estimated 45.2 percent of those who are eligible are served under the federally-funded WIC program.[13]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Maine does *not* supplement the WIC program.

13. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

MARYLAND

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Maryland Highlights

Estimated poverty rate, 1985	8.7%
Estimated number of poor, 1985	382,000
Key Program Data*	
AFDC benefits as percentage of poverty line (for a three-person family without any other income)	47.5%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	76.3%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	55.2%
Percentage of unemployed receiving unemployment insurance, 1986	34.6%**
Percentage of state tax revenue from individual and corporate income tax, 1986	46.7%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	yes	26
SSI state supplement	no	27
Statewide general assistance	yes	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	yes	10
Covers renters	yes***	25

*Data are from 1987, except where otherwise noted.

**In 1987, the percentage of unemployed receiving unemployment insurance fell to 30.2 percent.

***Both elderly and nonelderly homeowners, but only elderly renters, are eligible for the program.

MARYLAND

An estimated 8.7 percent of the population of Maryland, or 382,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Maryland, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance generally receive a level of aid that does not lift them to the poverty line.

Government assistance to poor people in Maryland contains some large gaps. Among these are the low level of AFDC benefits. In 1987, a mother and two children with no other income received a maximum AFDC benefit of $359 a month in Maryland, which equalled less than half (47.5 percent) of the poverty line. (Even if food stamp benefits are added in and counted as income, total AFDC and food stamp benefits combined still leave families several thousand dollars short of the poverty line.) From 1970 to 1987, AFDC benefits for families with no other income fell nearly 25 percent in Maryland, after adjustment for inflation.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

Maryland's AFDC benefit level ranks 26th in the nation, despite the fact that Maryland ranks sixth in the nation in per capita income,[2] which is an indication of its ability to provide higher benefits. In few other states is there such a large disparity between the state's per capita income ranking and its AFDC benefit level ranking.

In addition, for all members of a poor family with children to be eligible for Medicaid, the family may have income (after medical expenses and some limited deductions) only slightly above half of the poverty line. This income limit leaves many working poor families without health care coverage.

Elderly and disabled people who are poor can receive the basic federal SSI grant, but this leaves them below the poverty line. Twenty-seven states supplement the federal SSI benefit level to bring the elderly and disabled poor closer to or above the poverty line. Maryland is not one of these states.

The safety net is weakest for poor single individuals and childless couples who are not elderly or disabled. They are not eligible for state cash assistance and are unlikely to receive health care coverage. They, and other low-income households with unemployed workers, are also unlikely to receive unemployment insurance. In 1987, fewer than one in three (30.2 percent) of unemployed workers in Maryland received unemployment benefits in the average month.

On a positive note, Maryland recently reformed its state income tax system to remove most working poor families from the tax rolls.

A particular problem in Maryland is the difficulty many low income households encounter in finding housing they can afford. The number of very low-income renter households in Maryland is nearly *triple* the number of low-rent units.

These and other aspects of the Maryland safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

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2. The per capita income ranking used here is based on 1987 data. The Center's companion report, Holes in the Safety Nets -- National Overview, used 1986 data, the latest available at the time it was prepared.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Maryland well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Maryland does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Maryland:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $359 per month, or $4,308 per year. This AFDC benefit equals 47.5 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 26th out of all states.[3]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $218 per month. At most, AFDC and food stamp benefits combined can equal 76.3

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3. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

percent of the poverty line.[4] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a family of three without any income, AFDC benefit payments equal 72.2 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $5,184 per year, which equals 44.6 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 24.5 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Maryland who incurs deductible child care costs of $106 a month,[5] earnings of $560 a month -- equal to 74.1 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Maryland:

- For a single mother with two children who does *not* get a child care deduction, earnings of $454 a month -- equal to 60.1 percent of the

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4. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

5. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Maryland provides AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- Maryland has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986, only 1.5 percent of the AFDC caseload in Maryland consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

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6. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[7]

In Maryland:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[8] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.

- Maryland does *not* supplement the basic federal SSI grant.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for

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7. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

8. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Maryland:

- There is a state general assistance program, but it serves only disabled people. Nondisabled, nonelderly[9] singles and childless couples who are poor are left without any cash assistance (unless they are receiving unemployment insurance).

- For a household without any income, the monthly benefits are $171 for one person or $227 for a two-person household, which are equal to 35.5 percent and 36.8 percent of the respective poverty lines for these households.[10]

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

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9. Low-income elderly (and disabled) people may be eligible for SSI benefits.

10. In some state programs, the level of general assistance benefits varies by areas within the state; in these instances, benefit levels for the most representative area are cited.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children and pregnant women from families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many poor two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Maryland extends Medicaid coverage to all income-eligible children under 21 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Maryland, a family of three with a monthly countable income of less than $417, after deducting medical expenses, is eligible for Medicaid.[11] This income eligibility limit is equal to 55.2 percent of the poverty line for a family of three.

Another key option is the **SOBRA**[12] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for

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11. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

12. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the Medicaid general income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[13]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Maryland has a SOBRA program, with an income eligibility limit equal to the federal poverty level. However, instead of covering children up to their second birthday as allowed by federal law, Maryland's program covers children up to their first birthday.[14]

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Maryland covered 17 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Services *not* covered by the Medicaid program in Maryland included occupational therapy.

The provisions of the Medicaid program in Maryland are especially noteworthy because in 1985 the state infant mortality rate was 11.9 per thousand

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13. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

14. Maryland also funds the statewide Prenatal Assistance Program which provides prenatal care for pregnant teens with family incomes below the poverty line.

births, above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, including Maryland, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Maryland has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $334, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 73.5 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Maryland has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the services mentioned above, Medicaid in Maryland does not pay for services such as rehabilitation and transportation.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Maryland.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Maryland:

- 34.6 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Maryland ranked 24th among all states by this measure.
- Although 1986 data were used here and in the national overview for comparative purposes, 1987 data were recently tabulated. In Maryland, the percentage of the unemployed receiving unemployment insurance fell to 30.2 percent in 1987. Nationwide, coverage fell to 31.5 percent in 1987, another historic low.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned.

In Maryland:

- Average unemployment insurance benefits equaled 37 3 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Maryland, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	41.3%
Corporation net income	5.4
General sales	25.5
Selective sales	19.5
License	3.4
Other taxes	5.0

As the table indicates, Maryland collects 46.7 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes.

In 1987, Maryland raised its income tax threshold level for many working poor families.

- A two-parent family of four will begin to owe income taxes when its income reaches $12,900 (which is above the estimated 1988 poverty line).

For poor households in most states, sales tax burdens are heavy. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Maryland:

- The sales tax rate was 5.0 percent in 1987.
- Some 25.5 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Maryland:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Maryland does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Maryland has a circuitbreaker program.[15]
- Eligibility for the circuitbreaker is limited to elderly homeowners and renters and nonelderly homeowners; thus it fails to assist nonelderly renters.
- The average annual benefit from the circuitbreaker in Maryland was $396 in 1985.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income"

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15. Circuitbreaker information is from 1985.

households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 81,215 renter households in Maryland received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number of "very low-income" renter households residing in Maryland totalled 210,330. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 38.6 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 38.6 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[16]

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16. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

In Maryland:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by *180.3 percent*. This represented a shortage of 101,772 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Maryland's share of the federal LIHEAP appropriation equaled 14.9 percent of the estimated total heating and cooling costs[17] of all low-income households in Maryland which were potentially eligible for assistance under federal

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17. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

guidelines. This percentage is expected to be even lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

Maryland has adopted a state program to help prevent utility shutoffs in the winter. The program prevents utility shutoffs for households who are paying a fixed percentage or a fixed dollar amount of their utility bill. However, unlike somewhat similar programs in other states, Maryland requires that households pay off any arrearages during the non-winter months. In some other states, households are not required to pay off arrearages.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Maryland, only an estimated 40.1 percent of those who are eligible are served under the federally-funded WIC program.[18]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Maryland does *not* supplement the WIC program.

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18. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

MASSACHUSETTS

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Massachusetts Highlights

Estimated poverty rate, 1985	9.3%
Estimated number of poor, 1985	541,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	67.5%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	87.9%
Medicaid income eligibility limit as percentage of poverty iine (for a three-person family)	87.1%
Percentage of unemployed receiving unemployment insurance, 1986	55.4%
Percentage of state tax revenue from individual and corporate income tax, 1986	61.1%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	yes	26
SSI state supplement	yes	27
Statewide general assistance	yes	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	no**	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	no	31

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*Data are from 1987, except where otherwise noted.

**This SOBRA option for the elderly and disabled may be irrelevant in Massachusetts because of the high level of other assistance provisions.

MASSACHUSETTS

An estimated 9.3 percent of the population of Massachusetts, or 541,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

Many of those who are poor in Massachusetts receive government assistance. But their eligibility and the level of assistance are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children.

While Massachusetts has one of the strongest systems of government assistance for the poor of any state, some holes remain in the state's safety net. The combined value of maximum AFDC and food stamp benefits leaves a family without other income below the poverty line. This is in part because AFDC benefits declined 35 percent from 1970 to 1987, after adjusting for inflation. (AFDC benefits have been raised significantly in recent years; however, these increases still leave the purchasing power of the benefits well below 1970 levels.)

Perhaps the most serious problem with the Massachusetts safety net is the severe shortage of low-rent housing. The number of very low-income renter households exceeds the number of very low-rent units by an estimated *136.7*

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

percent, or an estimated shortage of 142,000 units. There is no circuitbreaker program to relieve the burden of property taxes on low-income households. Thirty-one other states have circuitbreaker programs.

In one key benefit area, the state recently adopted one of the most innovative policy initiatives in the country. This program aims to provide universal health care insurance for Massachusetts residents.

These and other aspects of the Massachusetts safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help to poor single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. Even when combined with food stamps, however, this assistance leaves families in Massachusetts below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Massachusetts does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Massachusetts:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $510 per month, or $6,120 per year. This AFDC benefit equals 67.5 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks seventh out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $155 per month. At most, AFDC and food stamp benefits combined can equal 87.9 percent of the poverty line.[3]

  However, one of every five AFDC households in Massachusetts does not receive food stamps. The food stamp participation rate for AFDC households in Massachusetts is below the national average.[4]

- For a single-parent family of *four* without any income, maximum AFDC benefits are $7,140 per year, which equals 61.4 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

4. According to a recent report by the U.S. General Accounting Office, 79.8 percent of AFDC households in Massachusetts received food stamps in fiscal year 1986, while 20.2 percent -- or 17,643 households -- did not. Some of those who did not receive food stamps were not eligible for such benefits.

Households in which all members are covered by an AFDC grant are automatically eligible for food stamps. In Massachusetts, 89 percent of those households received food stamps, but 11 percent (or 7,595 families) did not. The national average participation rate for these households is 93.7 percent.

Among households consisting both of members of an AFDC family and of other persons residing with them, 45.2 percent received food stamps in Massachusetts. The national average participation rate for these households is 66.1 percent.

- AFDC benefits have less purchasing power than in 1970. Although benefits have been raised significantly in recent years, the maximum benefit for a four-person family was 35.1 percent lower in 1987 than in 1970, after adjusting for inflation.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Massachusetts provides AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[5] Some 28 states have such a program (known as "AFDC-UP").

- Massachusetts has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover some poor two-parent families. This is both because (as with the AFDC program) some families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States. Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

ET Program

Although the focus of this analysis is not on service programs, it is worth noting that Massachusetts operates one of the most promising state programs --

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5. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and asset eligibility requirements.

the Employment and Training Choices or "ET" program -- that provides job training and placement services to welfare recipients. Participation in the program is voluntary and enrollees can choose between a mix of education, training, and placement services. The comprehensiveness of the services provided to a high proportion of welfare recipients distinguishes this program from many efforts in other states. This program also provides substantial assistance for child care services and reimbursements for transportation outlays.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[6]

In Massachusetts:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[7]

- Massachusetts supplements the basic federal SSI grant by $129 a month for an individual and $202 a month for a couple.[8] Together, the maximum federal and state supplemental SSI grants equal 103.2 percent of the poverty line for an individual and 124.1 percent for a couple.

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6. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

7. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

8. These supplement levels are for the elderly. The levels for the disabled -- $114 a month for a disabled individual and $180 a month for a disabled couple -- are lower.

- The value of the state supplement, after adjustment for inflation, declined by 54.5 percent for an individual and 54.1 percent for a couple from 1974 (the year SSI started) to 1987.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $10 per month for an individual and $10 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 105.4 percent of the poverty line for individuals and 125.9 percent for couples.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is available in many states. While the majority of states do offer some form of general cash assistance, it tends to be limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Massachusetts:

- There is a state general assistance program serving needy people who meet categorical eligibility requirements.

- For a household without any income, the monthly benefits are $328 for one person or $411 for a two-person household, which are equal to 68.0 percent and 66.6 percent of the respective poverty lines for these households.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. These federal benefit levels are equal to 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for many low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage.

In addition to Medicaid, Massachusetts recently adopted pathbreaking legislation that aims to provide universal health care insurance in the state.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children and pregnant women from families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since some poor two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Massachusetts extends Medicaid coverage to all income-eligible children under 21 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Massachusetts, a family of three with a monthly countable income of less than $658, after deducting medical expenses, was eligible for Medicaid in 1987. This income eligibility limit was equal to 87.1 percent of the poverty line for a family of three.

- The above 1987 data were used in the national chapter for comparisons with other states. The Medically Needy income limit is higher in 1988, equal to $733 a month for a three-person family, or 92.9 percent of the estimated 1988 poverty line.

Another key option is the **SOBRA**[9] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[10]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Massachusetts has a SOBRA program, with an income eligibility limit equal to the federal poverty level.

Massachusetts also has a statewide Healthy Start program that pays for comprehensive health care for pregnant women with family incomes below 185 percent of the federal poverty level who are not eligible for Medicaid and do not have other insurance coverage. Covered services include prenatal care, delivery, hospital stay and postpartum care.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Massachusetts covered 30 out of 32 possible optional Medicaid services.

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9. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

10. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

Elderly and Disabled

In most states, including Massachusetts, all of the elderly and disabled who receive SSI payments are eligible for Medicaid.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Massachusetts has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $455, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 100.1 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Massachusetts has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option, but this choice may be inconsequential because of the high levels of other state health assistance provisions.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Massachusetts.

Statewide Health Care

Massachusetts recently enacted pathbreaking state health care legislation, to be phased in over the next four years, that aims to provide universal health care coverage. Under the legislation, employers with more than five employees are required to pay a surcharge into a state insurance pool -- existing health insurance costs will be deducted from the employers' surcharge. To be eligible for this state-provided health care insurance, the insured individuals, in turn, are required to pay a fee, with the level based on their ability to make this payment.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Massachusetts:

- Over half, or 55.4 percent, of the unemployed received unemployment insurance benefits in an average month in 1986.
- Massachusetts ranked third among all states by this measure.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Massachusetts:

- Average unemployment insurance benefits equaled 39.6 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Massachusetts, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	47.2%
Corporation net income	13.9
General sales	22.4
Selective sales	10.5
License	2.7
Other taxes	3.3

As the table indicates, Massachusetts collects 61.1 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

In Massachusetts:

- A two-parent family of four will begin to owe income taxes when its income reaches $12,000, which is 98.1 percent of the estimated 1988 poverty line.

For poor households in most states, sales tax burdens are heavy. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Massachusetts:

- The sales tax rate was 5.0 percent in 1987.
- Some 22.4 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Massachusetts:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Massachusetts does *not* have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Massachusetts does *not* have a circuitbreaker program.[11] All other New England states except New Hampshire have circuitbreakers.

A recent study of taxes in Massachusetts found that the sales and property taxes impose a substantial burden on the average family in poverty, absorbing a much greater proportion of the family income of the poor than of the nonpoor.[12] Data from the study indicate that, on average, poor families in Massachusetts pay nearly 10 percent of their income in state sales taxes (2.3 percent) and local property taxes (7.6 percent); in comparison, these taxes constitute a much smaller proportion (3.8 percent in total) of the income of nonpoor families. Thus, the study's data indicate that the burden of sales and property taxes is more than two and one-half times heavier for poor families than for nonpoor families.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

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11. Circuitbreaker information is from 1985.

12. *Unfair Burdens: Taxation of the Poor in Massachusetts*, A Study for the Tax Equity Alliance for Massachusetts (TEAM), by Andrew Reschovsky (Tufts University) and Howard Chernick (Hunter College, CUNY), Summary and Analysis by Jim Braude, Executive Director, TEAM; and updated data from Andrew Reschovsky, phone conversation, May 5, 1988.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 144,990 renter households in Massachusetts received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number of just "very low-income" renter households residing in Massachusetts totalled 347,830. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 41.7 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 41.7 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[13] In Massachusetts:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by *136.7 percent*. This represented a shortage of 142,010 very low-rent units.

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13. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Massachusetts does have one of the largest state low-income housing programs in the nation. The Bay State provides support for state public housing and rent subsidy programs with general obligation bonds. In September 1987, a $404.6 million housing bond issue was passed, the third major housing measure in the past five years. The package will provide approximately 8,000 units for rent and ownership by low and moderate-income households.

Although the state housing effort is notable, it still falls far short of the need for more low-income housing units. The estimated shortage of 142,010 low-rent units dwarfs the 8,000 units that will be supplied by the measure recently adopted.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Massachusetts' share of the federal LIHEAP appropriation equaled 23.9 percent of the estimated total heating

and cooling costs[14] of all low-income households in Massachusetts which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Massachusetts, an estimated 43.1 percent of those who are eligible are served under the federally-funded WIC program.[15]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Massachusetts supplements the WIC program, bringing the overall percentage of WIC eligible individuals who are served to 50.6 percent.

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14. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

15. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

MICHIGAN

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Michigan Highlights

Estimated poverty rate, 1985	14.5%
Estimated number of poor, 1985	1,318,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	56.5%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	82.1%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	71.4%
Percentage of unemployed receiving unemployment insurance, 1986	28.5%**
Percentage of state tax revenue from individual and corporate income tax, 1986	50.5%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	yes	26
SSI state supplement	yes	27
Statewide general assistance	yes	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	yes	10
Covers renters	yes	25

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*Data are from 1987, except where otherwise noted.

**In 1987, the percentage of unemployed receiving unemployment insurance rose to 33.2 percent.

MICHIGAN

An estimated 14.5 percent of the population of Michigan, or 1,318,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

Many of those who are poor in Michigan receive government assistance. But their eligibility and the level of assistance are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of aid that does not lift them to the poverty line.

Sizable holes remain in Michigan's safety net, although it is stronger than those in most other states. Maximum AFDC benefit levels for a family of three with no other income equal just over half (56.5 percent) of the poverty line. Even if food stamp benefits are added in and counted as income, maximum AFDC plus food stamp benefits still leave families well below the poverty line. From 1970 to 1987, AFDC benefits for a family without other income fell more than 30 percent in Michigan, after adjustment for inflation. Moreover, some families in poverty are not eligible for Medicaid; for all members of a three-person family with children to qualify for Medicaid, the family must have income (after medical

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

expenses and some limited deductions) that falls below 71 percent of the poverty line for a family of three.

In addition, despite the continued large number of unemployed workers in Michigan, only about one in three of the state's unemployed received unemployment insurance benefits in an average month in 1987. Some 246,000 unemployed Michigan workers went without unemployment benefits in the average month.

Michigan also imposes significant tax burdens on low income households. A family of four begins owing state income tax in 1988 when its income reaches $7,200, which is nearly $5,000 below the poverty line. This places Michigan in the bottom one-third of all states with income taxes in terms of the income level at which it begins taxing the working poor. Michigan is also one of 14 states with sales taxes that fails to exempt household utility bills from the tax. This makes the state's tax system more burdensome to the poor.

Finally, Michigan has a serious shortage of low rent housing. The number of very low-income households in Michigan is more than double the number of very low-rent units.

These and other aspects of the Michigan safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Michigan well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Michigan does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Michigan:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $427 per month, or $5,124 per year.[2] This AFDC benefit equals 56.5 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 13th out of all states.[3]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $194 per month. At most, AFDC and food stamp benefits combined can equal 82.1 percent of the poverty line.[4] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a family of three without any income, AFDC benefit payments equal 67.8 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.)

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2. AFDC benefit levels vary within the state and by the time of the year and the type of shelter deduction. The figures used here are from the summer schedule for Wayne County (which includes Detroit) for families whose utilities are not included in the rent.

3. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

4. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

- For a single-parent family of *four* without any income, maximum AFDC benefits are $6,324 per year, which equals 54.4 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 31.4 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Michigan who incurs deductible child care costs of $106 a month,[5] earnings of $729 a month -- equal to 96.5 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Michigan:

- For a single mother with two children who does *not* get a child care deduction, earnings of $623 a month -- equal to 82.4 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Michigan provides AFDC emergency assistance.

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5. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- Michigan has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986, 13.3 percent of the AFDC caseload in Michigan consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one

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6. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

state automatically adjusts these supplements for inflation.[7] Moreover, even though Michigan supplements SSI, the combined SSI assistance is insufficient to lift elderly and disabled individuals out of poverty, in part because the value of the state supplement has fallen sharply since 1974.

In Michigan:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[8]

- Michigan supplements the basic federal SSI grant by $29 a month for an individual and $44 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 81.2 percent of the poverty line for an individual and 96.6 percent for a couple.

- The value of the state supplement, after adjustment for inflation, declined by 47.5 percent for an individual and 46.9 percent for a couple from 1974 (the year SSI started) to 1987.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $34 per month for an individual and $50 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 88.6 percent of the poverty line for individuals and 105.3 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social

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7. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

8. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Michigan:

- There is a state general assistance program serving needy people. Eligibility criteria include stringent work requirements.

- Benefits vary from area to area depending on shelter costs. For a household without any income, the monthly benefits in the Lansing area are $223 for one person or $315 for a two-person household, which are equal to 46.3 percent and 51.5 percent of the respective poverty lines for these households.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many poor two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Michigan extends Medicaid coverage to all income-eligible children under 21 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Michigan, a family of three with a monthly countable income of less than $537, after deducting medical expenses, is eligible for Medicaid.[9]

- However, Michigan is one of only seven states where the Medically Needy threshold is *lower than* the AFDC income eligibility limit of $540 per month or 71.4 percent of the poverty line. Therefore, the Medically Needy program extends coverage only to those families whose medical expenses drive their countable income slightly below the state's AFDC income eligibility limit.

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC,

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9. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

10. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Michigan has a SOBRA program, with an income eligibility limit equal to the federal poverty level.[12]

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Michigan covered 26 out of 32 possible optional Medicaid services. Important services *not* included in the Medicaid program in Michigan included screening and preventive services other than those specifically provided for under the Medicaid plan.

The provisions of the Medicaid program in Michigan are especially noteworthy because in 1985 the state infant mortality rate was 11.4 per thousand births, above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, including Michigan, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly

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11. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

12. In Michigan, any pregnant women with a family income below 185 percent of the federal poverty level who is not eligible for Medicaid and does not have other insurance coverage can receive basic prenatal care.

and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Michigan has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $370, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 81.4 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Michigan has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Michigan.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Michigan:

- Only 28.5 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Michigan ranked 33rd among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 52.9 percent of the unemployed in Michigan received unemployment insurance benefits in an average month.
- Although 1986 data were used here and in the National Overview for comparative purposes, 1987 data were recently tabulated. In Michigan, the percentage of the unemployed receiving unemployment insurance was 33.2 percent in 1987, a higher coverage rate than in 1986, but still a much lower rate than in 1979.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Michigan:

- Average unemployment insurance benefits equaled 36.0 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Michigan, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	34.9%
Corporation net income	15.6
General sales	28.8
Selective sales	11.6
License	5.7
Other taxes	3.4

As the table indicates, Michigan collects 50.5 percent of its revenue through the state individual and corporate income taxes. (Michigan's corporate income tax operates in a similar fashion to a "value-added" tax. This approach may be more burdensome to poor people than corporate income taxes in other states.)

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

In Michigan:

- If a two-parent family of four earns $10,000 a year, it will owe state income taxes of $129. By contrast, in the typical (or median) state with an income tax, such a family has a tax liability of $31.

- The income tax burden for a family at this income level is the ninth highest in the nation.

- A two-parent family of four will begin to owe income taxes when its income reaches $7,200, which is 58.9 percent of the estimated 1988 poverty line. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Michigan:

- The sales tax rate was 4.0 percent in 1987.

- Some 28.8 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Michigan:

- Utilities were *not* exempt from taxation; food was exempt.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Michigan does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Michigan has a circuitbreaker program.[13]
- Eligibility for the circuitbreaker is extended to low-income homeowners and renters of all ages.
- The average annual benefit from the circuitbreaker in Michigan was $397 in 1985, and benefits could be extended to households with incomes up to $33,650.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income"

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13. Circuitbreaker information is from 1985.

households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 123,958 renter households in Michigan received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number of "very low-income" renter households residing in Michigan totalled 409,380. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 30.3 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 30.3 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[14]

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14. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

In Michigan:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by *110.5 percent*. This represented a shortage of 130,671 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Michigan's share of the federal LIHEAP appropriation equaled 17.8 percent of the estimated total heating and cooling costs[15] of all low-income households in Michigan which were potentially eligible for assistance under federal

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15. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Michigan, an estimated 56.9 percent of those who are eligible are served under the federally-funded WIC program.[16]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Michigan supplements the WIC program, but the supplemental funds can be used only for administrative purposes.

In early 1988, Michigan also instituted new cost containment procedures which reduce the cost of infant formula provided through the WIC program. The savings can be used to serve additional participants.

Michigan is one of 14 states that has a federally funded Commodity Supplemental Food Program which has a target population similar to that of WIC. The CSFP program operates only in Detroit where it serves 38,437 participants. The WIC participation rate mentioned above accounts for CSFP participants.[17]

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16. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

17. CSFP participants are ineligible for the WIC program; therefore, the Center adjusted USDA's 1984 WIC eligible pool by subtracting out CSFP participants who otherwise meet WIC eligibility criteria.

MINNESOTA

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits) not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Minnesota Highlights

Estimated poverty rate, 1985	12.6%
Estimated number of poor, 1985	528,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	70.4%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	90.0%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	93.8%
Percentage of unemployed receiving unemployment insurance, 1986	38.3%
Percentage of state tax revenue from individual and corporate income tax, 1986	47.3%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	yes	2
SSI state supplement	yes	2
Statewide general assistance	yes	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	no**	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	yes	10
Covers renters	yes	25

*Data are from 1987, except where otherwise noted.

**Minnesota has waived the assets test under the SOBRA option for pregnant women and children, but it has not increased the income eligibility limit.

MINNESOTA

An estimated 12.6 percent of the population of Minnesota, or 528,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

Many of those who are poor in Minnesota receive government assistance. But their eligibility and the level of assistance are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of aid that does not lift them to the poverty line.

There are sizable holes in Minnesota's safety net, even though Minnesota has a stronger system of government assistance to the poor than most states. AFDC and food stamp benefits combined still leave a family without other income below the poverty line. This occurs in part because AFDC benefits have declined 28.9 percent since 1970, after adjusting for inflation. Some poor families with children are not eligible for Medicaid, and singles and childless couples are primarily reliant for health care assistance on whatever programs for the medically indigent might exist. The shortage of low rent housing presents a problem for many poor households -- the number of very low-income renter households in Minnesota is

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

more than *double* the number of very low-rent units. Finally, in 1986, less than two-fifths, or 38.3 percent, of the unemployed received unemployment insurance in the average month.

These and other aspects of the Minnesota safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Minnesota below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Minnesota does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Minnesota:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $532 per month, or $6,384 per year. This AFDC benefit equals 70.4 percent of the 1987 poverty line for a

family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks sixth out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $148 per month. At most, AFDC and food stamp benefits combined can equal 90.0 percent of the poverty line.[3]

- However, more than one of every five AFDC households in Minnesota does not receive food stamps. Minnesota's food stamp participation rate for AFDC households is the ninth lowest in the nation, according to a recent report by the U.S. General Accounting Office.[4]

- For a single-parent family of *four* without any income, maximum AFDC benefits are $7,452 per year, which equals 64.1 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 28.9 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

4. The GAO reported that 78.1 percent of AFDC households received food stamps in Minnesota in fiscal year 1986, but 21.9 percent -- or 11,826 households -- did not.

Households in which all members are covered by an AFDC grant are automatically eligible for food stamps. In Minnesota, 87.2 percent of these households received food stamps, while the rest (numbering 5,095 households) did not. Among households consisting both of AFDC family members and other persons residing with them, only 52 percent received food stamps.

AFDC even though she has income below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Minnesota who incurs deductible child care costs of $106 a month,[5] earnings of $733 a month -- equal to 97.0 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Minnesota:

- For a single mother with two children who does *not* get a child care deduction, earnings of $627 a month -- equal to 83.0 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Minnesota provides AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- Minnesota has an AFDC-UP program. (Benefit levels are similar to those in the AFDC program for single-parent families.)

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5. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

6. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986, only 13.8 percent of the AFDC caseload in Minnesota consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[7]

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7. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

In Minnesota:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[8]

- Minnesota supplements the basic federal SSI grant by $35 a month for an individual and $66 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 82.5 percent of the poverty line for an individual and 100.4 percent for a couple.

- The value of the state supplement, after adjustment for inflation, declined by 52.5 percent for an individual and 26.5 percent for a couple from 1974 (the year SSI started) to 1987.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $32 per month for an individual and $44 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 89.5 percent of the poverty line for individuals and 108.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

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8. The 1988 federal SSI benefit are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Minnesota:

- There is a state general assistance program serving needy people.
- For a household without any income, the monthly benefits are $203 for one person or $263 for a two-person household, which are equal to 42.1 percent and 42.6 percent of the respective poverty lines for these households.[9]

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

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9. Counties may supplement these benefits, but very few do.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many poor two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Minnesota extends Medicaid coverage to all income-eligible children under 21 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Minnesota, a family of three with a monthly countable income of less than $709, after deducting medical expenses, is eligible for Medicaid.[10] This income eligibility limit is equal to 93.8 percent of the poverty line for a family of three.

Another key option is the **SOBRA**[11] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[12]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

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10. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

11. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

12. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

- Minnesota has waived the assets test under SOBRA, but it has not increased the income eligibility limit.[13] (Again, its Medically Needy income eligibility limit is 93.8 percent, or just below the poverty line.)

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Minnesota covered 29 out of 32 possible optional Medicaid services.

Elderly and Disabled

In most states, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some states have especially restrictive Medicaid eligibility criteria for the elderly and disabled and *fail* to cover all SSI recipients under Medicaid. (These states are sometimes called "209(b) states" due to the section of federal law that permits them to adopt Medicaid eligibility criteria that are more restrictive than the criteria used for SSI.) States are permitted to use Medicaid eligibility criteria as restrictive as those they used for their elderly and disabled poor in January 1972, before SSI began.

- Minnesota is one of just 14 states that does *not* extend Medicaid eligibility to all SSI recipients.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Minnesota has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $402, after expenditures for medical care and other deductions, is

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13. The Children's Health Plan in Minnesota provides prenatal care for pregnant women and health services for children under six from families with incomes less than 185 percent of the federal poverty level who are not eligible for Medicaid and do not have other insurance coverage. Enrollment fees of $35 for prenatal care and $25 for child health services are charged and the program does not pay for delivery services.

eligible for coverage. This eligibility limit is 88.4 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Minnesota has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Minnesota.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their

unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Minnesota:

- 38.3 percent of the unemployed received unemployment insurance benefits in an average month in 1986.[14]
- Minnesota ranked ninth among all states by this measure.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Minnesota:

- Average unemployment insurance benefits equaled 45.0 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

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14. Although 1986 data were used here and in the national overview for comparative purposes, 1987 data were recently tabulated. In Minnesota, the percentage of the unemployed receiving unemployment insurance fell to 31.9 percent in 1987. Nationwide, coverage fell to 31.5 percent in 1987, another historic low.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Minnesota, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	39.8%
Corporation net income	7.5
General sales	27.7
Selective sales	17.4
License	7.0
Other taxes	0.7

As the table indicates, Minnesota collects 47.3 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

In Minnesota:

- A two-parent family of four will begin to owe income taxes when its income reaches $12,800 (which is above the estimated 1988 poverty line).

For poor households in most states, sales tax burdens are quite heavy. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Minnesota:

- The sales tax rate was 6.0 percent in 1987.
- 27.7 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Minnesota:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Minnesota does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Minnesota has a circuitbreaker program.[15]

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15. Circuitbreaker information is from 1985.

- Eligibility for the circuitbreaker is extended to homeowners and renters of all ages.

- The average annual benefit from the circuitbreaker in Minnesota was $294 in 1985, and benefits could be extended to households with incomes up to $40,000.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 77,519 renter households in Minnesota received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in Minnesota totalled 169,070. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 45.9 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 45.9 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the huge number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[16] In Minnesota:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by *110.0 percent*. This represented a shortage of 61,125 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income

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16. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Minnesota's share of the federal LIHEAP appropriation equaled 32.8 percent of the estimated total heating and cooling costs[17] of all low-income households in Minnesota which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Minnesota, an estimated 51.5 percent of those who are eligible are served under the federally-funded WIC program.[18]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Minnesota supplements the WIC program, having appropriated $1 million

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17. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

18. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

for two years. The supplemental program was not yet in effect in June 1987 (the month for which the above participation rate was calculated).

Minnesota is one of 14 states that has a federally funded Commodity Supplemental Food Program which has a target population similar to that of WIC although it serves only 457 participants (all of whom live on the Red Lake Reservation).[19]

19. The WIC participation rate mentioned above did account for these CSFP participants. CSFP participants are ineligible for the WIC program; therefore, the Center adjusted USDA's 1984 WIC eligible pool by subtracting out CSFP participants who otherwise meet WIC eligibility criteria.

MISSISSIPPI

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Mississippi Highlights

Estimated poverty rate, 1985	25.1%
Estimated number of poor, 1985	656,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	15.9%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	46.0%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	48.7%
Percentage of unemployed receiving unemployment insurance, 1986	23.4%
Percentage of state tax revenue from individual and corporate income tax, 1986	19.3%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no	28
AFDC emergency assistance	no	26
SSI state supplement	no	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	no	4
Medicaid Medically Needy program	no	36
Property tax circuitbreaker, 1985	no	31

*Data are from 1987, except where otherwise noted.

MISSISSIPPI

An estimated 25.1 percent of the population of Mississippi, or 656,000 people, lived in poverty in 1985.[1] This poverty rate was the highest of all states in the nation. This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Mississippi, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance are unlikely to receive sufficient aid to lift them close to the poverty line.

Although Mississippi has taken some positive steps in recent years to strengthen its safety net for poor people, its safety net remains among the weakest in the nation. Mississippi's level of cash assistance to single-parent families ranks 50th among all states and the District of Columbia. A mother and two children with no other income received a maximum AFDC benefit of $120 a month in 1987, which equalled less than one-sixth (15.9 percent) of the poverty line. Even if food stamp benefits are counted as income and added in, maximum AFDC and food stamp benefits combined for a family with no other income still

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

fail to bring the family up to half of the poverty line. Since 1970, maximum AFDC benefits have declined 29.5 percent in Mississippi after adjusting for inflation.

In addition, Mississippi has elected not to provide AFDC benefits to two-parent families with children who are poor, unlike 28 other states that provide this coverage. Mississippi also lacks an AFDC emergency assistance program, which is used by a number of other states and can aid homeless families with children and other families facing emergencies. Moreover, the state lacks a general cash assistance program for poor single individuals and childless couples.

Medicaid eligibility is also tightly constrained, with many poor families being left outside the program. For all members of a single-parent family of three to receive Medicaid, the family must have income that is less than half (48.7 percent) of the poverty line.

Mississippi has recently taken two positive steps to improve the health of pregnant women and young children who are in poverty. The state has adopted the new option that extends Medicaid coverage to all pregnant women and young children who live in families with incomes up to the poverty line. It has also adopted purchasing procedures that allow more participants to be served under the WIC food supplement and nutrition program.

Elderly and disabled people who are poor in Mississippi may receive the basic federal SSI grant, but this leaves them below the poverty line. Twenty-seven states supplement the basic SSI grant so that the elderly and disabled poor may be brought closer to or above the poverty line. Mississippi is not one of these states.

Unemployment insurance coverage in Mississippi is also limited. In 1986, 23.4 percent of unemployed Mississippians -- fewer than one in four -- received unemployment insurance in an average month. This is the seventh lowest unemployment insurance coverage rate in the nation. For unemployed two-parent families and their children who do not qualify for or have exhausted their unemployment benefits (as well as for jobless single individuals and childless couples in this situation who are not elderly or disabled), little or no safety net exists. They are ineligible for virtually any cash assistance, regardless of how poor they may be. (In most cases, they are ineligible for health care coverage, as well.)

While Mississippi provides limited aid to its poor citizens, it often imposes significant tax obligations on them. In contrast to Mississippi's state income tax, which is one of the least burdensome on low-income households of all the state income taxes in the nation, the state sales tax and local property taxes are very burdensome on them. Mississippi is one of only three states in the nation that fails to exempt either food or utilities from the state sales tax and fails to provide a sales tax rebate to poor households. Mississippi is also one of 20 states that lacks a property tax relief program targeted on low income households.

These and other aspects of the Mississippi safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Mississippi well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Mississippi does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Mississippi:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $120 per month, or $1,440 per year. This AFDC benefit equals 15.9 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 50th out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $228 per month. At most, AFDC and food stamp benefits combined can equal 46.0 percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a family of three without any income, AFDC benefit payments equal only 32.6 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $1,728 per year, which equals 14.9 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 29.5 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Mississippi who incurs deductible child care costs of $106 a month,[4] earnings of $562 a

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

4. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and

month -- equal to 74.4 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Mississippi:

- For a single mother with two children who does *not* get a child care deduction, earnings of $456 a month -- equal to 60.4 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Mississippi does not provide AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[5] Some 28 states have such a program (known as "AFDC-UP").

- Mississippi does *not* have an AFDC-UP program.

Since there is no AFDC-UP program in Mississippi, two-parent families with an unemployed primary earner are ineligible for cash assistance, other than unemployment insurance benefits, which are available only to a minority of the unemployed.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988)

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disregards for which they may qualify.

5. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[6]

In Mississippi:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[7]

- Mississippi does *not* supplement the basic federal SSI grant.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for

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6. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

7. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Mississippi:

- There is no general assistance program, thus leaving nondisabled, nonelderly singles and childless couples who are poor without *any* cash assistance (unless they are receiving unemployment insurance).

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though Mississippi does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- Mississippi does not provide Medicaid coverage to two-parent families who meet its AFDC income eligibility requirements.

Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Mississippi extends Medicaid coverage to all income-eligible children under 18 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Mississippi is one of 14 states that does *not* have a Medically Needy program. Consequently, the Medicaid income eligibility limit in Mississippi is the same as the AFDC income eligibility limit, which is 48.7 percent of the three-person poverty level.

Another key option is the **SOBRA**[8] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the

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8. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[9]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Mississippi has a SOBRA program, with an income eligibility limit equal to the federal poverty level.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Mississippi covered 10 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Important services *not* covered by the Medicaid program in Mississippi included clinic services; occupational therapy; and diagnostic, screening, and preventive services not specifically covered under other options.

The provisions of the Medicaid program in Mississippi are especially noteworthy because in 1985 the state infant mortality rate was 13.7 per thousand births, above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, including Mississippi, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

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9. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

- Mississippi does not have a Medically Needy program for the low-income elderly and disabled.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Mississippi has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the services mentioned above, Medicaid in Mississippi does not pay for items and services such as dentures, prosthetic devices, and services for the elderly in mental institutions.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Mississippi.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Mississippi:

- Only 23.4 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Mississippi ranked 45th among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 34.0 percent of the unemployed in Mississippi received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Mississippi:

- Average unemployment insurance benefits equaled 32.4 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

The low level of unemployment insurance coverage in Mississippi is of particular significance for poor individuals and families given the absence of an AFDC-UP program for two-parent families and the absence of any general cash assistance program. As a result, in households without an elderly or disabled person, unemployed single people as well as childless couples or two-parent

families with an unemployed worker are unlikely to receive cash assistance from any level of government, no matter how poor they are.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Mississippi, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	14.2%
Corporation net income	5.1
General sales	53.8
Selective sales	14.5
License	8.0
Other taxes	4.5

As the table indicates, Mississippi collects just 19.3 percent of its revenue through the state individual and corporate income taxes. This is less than the 36.6 percent of revenue raised through income taxes in the typical (or median) state with an individual income tax.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes.

In Mississippi:

- A two-parent family of four will begin to owe income taxes when its income reaches $15,900 (which is above the estimated 1988 poverty line and is the second highest threshold in the nation).

In contrast to Mississippi's income tax, which does not burden the poor, the burden of the sales tax on poor households in Mississippi is quite heavy. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Mississippi:

- The sales tax rate was 6.0 percent in 1987. In the typical state with a general sales tax, the sales tax rate was five percent.

- More than half, or 53.8 percent, of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Mississippi:

- Food and utilities were *not* exempt from taxation. (There is one major exception. Federal law requires that purchases made with food stamps be exempt from the sales tax.)

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Mississippi does not have a sales tax credit.

Mississippi is one of just three states with a sales tax that does not offset its burden on the poor by any of the above measures: exempting food or utilities or providing a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Mississippi does *not* have a circuitbreaker program.[10]

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

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10. Circuitbreaker information is from 1985.

- In 1985, some 40,148 renter households in Mississippi received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number of "very low-income" renter households residing in Mississippi totalled 143,000. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 28.1 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 28.1 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[11] In Mississippi:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 12.6 percent. This represented a shortage of 7,653 very low-rent units. (The shortage is understated, because some of the very low rent units were rented by households that did not have very low incomes.)

Unfortunately, the gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low-rent units than there were in 1983. The causes of the growth in this gap include an

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11. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Mississippi's share of the federal LIHEAP appropriation equaled 11.8 percent of the estimated total heating and cooling costs[12] of all low-income households in Mississippi which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

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12. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

- In Mississippi, an estimated 64.2 percent of those who are eligible are served under the federally-funded WIC program.[13]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Mississippi does not supplement the WIC program.

One of the reasons that Mississippi reaches a higher proportion of WIC eligibles than most other states is that Mississippi purchases all WIC foods in bulk and distributes them to WIC participants from state warehouses. As a result, the state's costs for WIC foods are lower than those of other states, which allows federal WIC funds to be stretched to serve more participants.

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13. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

MISSOURI

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Missouri Highlights

Estimated poverty rate, 1985	13.7%
Estimated number of poor, 1985	690,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	37.3%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	66.8%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	37.3%
Percentage of unemployed receiving unemployment insurance, 1986	34.0%
Percentage of state tax revenue from individual and corporate income tax, 1986	35.8%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	no	26
SSI state supplement	no	27
Statewide general assistance	yes	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	no	4
Medicaid Medically Needy program	no	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	no	10
Covers renters	yes	25

*Data are from 1987, except where otherwise noted.

MISSOURI

An estimated 13.7 percent of the population of Missouri, or 690,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Missouri, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance are unlikely to receive sufficient aid to lift them to the poverty line.

The safety net for poor people is weaker in Missouri than in most other states. Missouri's level of AFDC cash assistance to single-parent households ranks 38th among all states and the District of Columbia, despite the fact that Missouri ranks 24th in per capita income.[2] The maximum AFDC benefit for a family of three with no other income was $282 a month in 1987, or just over

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

2. The per capita income ranking used here is based on 1987 data. The Center's companion report, Holes in the Safety Nets -- National Overview, used 1986 data, the latest available at the time it was prepared.

one-third (37.3 percent) of the poverty line. Even if food stamps are counted as income and added in, maximum combined AFDC and food stamp benefits for a family with no other income come to just two-thirds of the poverty line. Missouri does not have an AFDC emergency assistance program, which is used in a number of other states to provide assistance to some homeless families with children and other families facing emergency situations.

There are also other weaknesses in the state safety net. There is no general cash assistance for poor single individuals and childless couples who are not elderly or disabled. These households are also unlikely to receive health care coverage.

Elderly and disabled poor people can receive the basic federal SSI grant, but this leaves them below the poverty line. Twenty-seven states supplement the federal SSI benefits to bring the elderly and disabled poor closer to or above the poverty line. Missouri is not one of these states.

For all members of a poor family with children to qualify for Medicaid, the family must have income of less than 37.3 percent of the poverty line. Missouri is one of only 14 states that fail to extend Medicaid coverage to low income working families with children that have such high medical expenses that their income after medical costs makes them poorer than families receiving AFDC benefits. In a positive step, however, Missouri has adopted the new option that extends Medicaid coverage to pregnant women and young children who live in families with incomes up to the poverty line.

One out of every three unemployed workers in Missouri received unemployment insurance in an average month in 1986. For low-income unemployed workers who are single individuals or childless couples who are not elderly or disabled, and who either do not qualify for or have exhausted their unemployment benefits, little of the safety net exists. They are ineligible for virtually any government cash benefits.

Although it provides fairly limited assistance to low income households, Missouri does impose significant tax burdens on many of these same households. Unlike a majority of other states, Missouri does not exempt food purchases from the sales tax. In addition, even though Missouri increased its income tax threshold in 1987, the state still begins to impose income tax on a family of four when the family income reaches $8,200, which is nearly $4,000 below the poverty line. Missouri's "circuitbreaker" property tax relief program for low income households is restricted to the elderly and does not cover poor families with children.

These and other aspects of the Missouri safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment

insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Missouri well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state.

In Missouri:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $282 per month, or $3,384 per year. This AFDC benefit equals 37.3 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 38th out of all states.[3]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $223 per month. At most, AFDC and food stamp benefits combined can equal 66.8

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3. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

percent of the poverty line.[4] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a family of three without any income, AFDC benefit payments equal 90.4 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.) Missouri last raised its need standard in 1976, although the cost of living increased 100 percent from 1976 to 1987.

- For a single-parent family of *four* without any income, maximum AFDC benefits are $3,960 per year, which equals 34.1 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Missouri who incurs deductible child care costs of $106 a month,[5] earnings of $483 a month -- equal to 63.9 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Missouri:

- For a single mother with two children who does *not* get a child care deduction, earnings of $377 a month -- equal to 49.9 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

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4. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

5. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Missouri does not provide AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- Missouri has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986, 6.6 percent of the AFDC caseload in Missouri consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

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6. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[7]

In Missouri:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[8] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.

- Missouri does not supplement the basic federal SSI grant.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social

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7. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

8. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Missouri:

- There is a state general assistance program but it serves only disabled people. Thus nondisabled, nonelderly singles and childless couples who are poor are left without any cash assistance (unless they are receiving unemployment insurance).

- For a qualified household without any income, the monthly benefits are $80 for one person or $160 for a two-person household, which are equal to 16.6 percent and 25.9 percent of the respective poverty lines for these households.[9]

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

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9. In some statewide programs, the level of general assistance benefits varies by areas within the state; in these instances, benefit levels for the most representative area are cited.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on whatever state and local medical assistance programs for the indigent may exist, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many poor two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Missouri extends Medicaid coverage to all income-eligible children under 21 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Missouri is one of 14 states that does *not* have a Medically Needy program. Consequently, the Medicaid income eligibility limit in Missouri is the same as the AFDC income eligibility limit, which is 37.3 percent of the three-person poverty level.

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the

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10. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Missouri has a SOBRA program, with an income eligibility limit equal to the federal poverty level.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Missouri covered 13 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Important services *not* covered by the Medicaid program in Missouri included emergency health services and occupational therapy.

Elderly and Disabled

In most states, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some states have especially restrictive Medicaid eligibility criteria for the elderly and disabled and *fail* to cover all SSI recipients under Medicaid. (These states are sometimes called "209(b) states" due to the section of federal law that permits them to adopt Medicaid eligibility criteria that are more restrictive than the criteria used for SSI.) States are permitted to use Medicaid eligibility criteria as restrictive as those they used for their elderly and disabled poor in January 1972, before SSI began.

- Missouri is one of just 14 states that does *not* extend Medicaid eligibility to all SSI recipients.

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11. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Missouri does *not* have a Medically Needy program for the low-income elderly and disabled.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Missouri has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Missouri does not pay for diagnostic services and certain services for those aged 65 or older in mental institutions.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Missouri.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and

adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980's than in the 1970's -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Missouri:

- 34.0 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Missouri ranked 25th among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979, when 51.7 percent of the unemployed in Missouri received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Missouri:

- Average unemployment insurance benefits equaled 30.1 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Missouri, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	31.0%
Corporation net income	4.3
General sales	42.5
Selective sales	12.4
License	8.4
Other taxes	1.0

As the table indicates, Missouri collects 35.8 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

In Missouri:

- If a two-parent family of four earns $10,000 a year, it will owe state income taxes of $31.
- A two-parent family of four will begin to owe income taxes when its income reaches $8,200, which is 67.0 percent of the estimated 1988

poverty line. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Missouri:

- The sales tax rate was 4.23 percent in 1987.
- 42.5 percent of all state revenue was collected through a general sales tax. This is greater than the 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Missouri:

- Food was *not* exempt from taxation. (There is one notable exception. Federal law requires that purchases made with food stamps be exempt from the sales tax.) Utilities were exempt from the sales tax.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Missouri does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Missouri has a circuitbreaker program.[12]
- Eligibility for the circuitbreaker is limited to elderly homeowners and renters; thus it fails to assist the nonelderly.
- The average annual benefit from the circuitbreaker in Missouri was $138 in 1985, and benefits could be extended to elderly households with incomes up to $12,000.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive

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12. Circuitbreaker information is from 1985.

housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 73,636 renter households in Missouri received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in Missouri totalled 237,110. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 31.1 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 31.1 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[13] In Missouri:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 57.6 percent. This represented a shortage of 56,749 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by

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13. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Missouri's share of the federal LIHEAP appropriation equaled 17.9 percent of the estimated total heating and cooling costs[14] of all low-income households in Missouri which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

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14. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

- In Missouri, only an estimated 38.2 percent of those who are eligible are served under the federally-funded WIC program.[15]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Missouri does not supplement the WIC program.

15. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

MONTANA

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Montana Highlights

Estimated poverty rate, 1985	16.1%
Estimated number of poor, 1985	133,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	47.5%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	74.0%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	54.0%
Percentage of unemployed receiving unemployment insurance, 1986	31.9%
Percentage of state tax revenue from individual and corporate income tax, 1986	37.4%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	yes	26
SSI state supplement	no	27
Statewide general assistance	yes**	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	no	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	no	10
Covers renters	yes	25

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*Data are from 1987, except where otherwise noted.

**State law requires counties to have general assistance programs, but does not establish program standards.

MONTANA

An estimated 16.1 percent of the population of Montana, or 133,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Montana receive government assistance, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance are unlikely to receive sufficient assistance to lift them to the poverty line.

The safety net for poor people in Montana contains some sizable holes. The maximum AFDC benefit for a mother and two children equals less than half (47.5 percent) of the poverty line. AFDC benefits have declined 35.0 percent between 1970 and 1987, after adjusting for inflation. To be eligible for Medicaid, a family with children must have income (after medical expenses and some limited deductions) that falls below 54 percent of the three-person poverty line.

There are no state standards for cash assistance to low-income single individuals and childless couples who are neither elderly nor disabled, with the

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

level of such assistance left up to each county. These types of households are also unlikely to receive health care coverage.

Elderly and disabled poor people may receive the basic federal SSI grant, but this leaves them below the poverty line. Twenty-seven states supplement the federal SSI benefit to bring the elderly and disabled poor closer to or above the poverty line. Montana is not one of these states.

Unemployment insurance coverage is also limited. Fewer than one of every three unemployed workers in Montana (31.9 percent) received unemployment insurance in 1986.

Furthermore, Montana imposes state income tax on families of four when their incomes reach just $6,500, which is only slightly over half of the poverty line. Only 11 other states impose income tax on families at lower income levels. Montana's circuitbreaker property tax relief program is restricted to the elderly and does not cover poor families with children.

These and other aspects of the Montana safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Montana well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Montana does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Montana:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $359 per month, or $4,308 per year. This AFDC benefit equals 47.5 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 25th out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $200 per month. At most, AFDC and food stamp benefits combined can equal 74.0 percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a family of three without any income, AFDC benefit payments equal 82.7 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $5,196 per year, which equals 44.7 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 35.0 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Montana who incurs deductible child care costs of $106 a month,[4] earnings of $560 a month -- equal to 74.1 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings however, do *not* have deductible child care costs. In Montana:

- For a single mother with two children who does *not* get a child care deduction, earnings of $454 a month -- equal to 60.1 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Montana provides AFDC emergency assistance.

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4. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[5] Some 28 states have such a program (known as "AFDC-UP").

- Montana has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986, 10.5 percent of the AFDC caseload in Montana consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27

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5. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[6]

In Montana:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[7] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.

- Montana does *not* supplement the basic federal SSI grant.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

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6. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

7. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Montana:

- Counties are required by law to have a general assistance program, but there are no statewide standards. Counties have the flexibility to establish their own eligibility requirements and benefit levels. In 12 counties, however, the state administers the program.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on limited state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many poor two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Montana extends Medicaid coverage to all income-eligible children.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Montana, a family of three with a monthly countable income of less than $408, after deducting medical expenses, is eligible for Medicaid.[8] This income eligibility limit is equal to 54.0 percent of the poverty line for a family of three.

Another key option is the SOBRA[9] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[10]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

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8. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

9. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

10. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

- Montana does *not* have a SOBRA program, leaving large numbers of pregnant women and young children from poor families without Medicaid coverage.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Montana covered 27 out of 32 possible optional Medicaid services.

Elderly and Disabled

In most states, including Montana, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Montana has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $340, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 74.8 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Montana has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as

part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Montana.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Montana:

- 31.9 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Montana ranked 27th among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979, when 49.6 percent of the unemployed in Montana received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned.

In Montana:

- Average unemployment insurance benefits equaled 41.5 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Montana, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	27.9%
Corporation net income	9.5
General sales	0.0
Selective sales	22.8
License	9.9
Other taxes	29.9

As the table indicates, Montana collects 37.4 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

In Montana:

- A two-parent family of four will begin to owe income taxes when its income reaches $6,500, which is 53.1 percent of the estimated 1988 poverty line. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Montana:

- There was no general sales tax in 1987.

Local property taxes are often burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Montana has a circuitbreaker program.[11]
- Eligibility for the circuitbreaker is limited to elderly homeowners and renters; thus it fails to assist the nonelderly.
- The average annual benefit from the circuitbreaker in Montana was $194 in 1985.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 14,346 renter households in Montana received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."
- Yet in 1983, the number of "very low-income" renter households residing in Montana totalled 38,290. (1983 is the latest year for which these data are now available.)

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11. Circuitbreaker information is from 1985.

- If all those who received rental assistance were "very low-income" renters, then no more than 37.5 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 37.5 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[12] In Montana:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 32.4 percent. This represented a shortage of 6,218 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

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12. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Montana's share of the federal LIHEAP appropriation equaled 45.6 percent of the estimated total heating and cooling costs[13] of all low-income households in Montana which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

Montana has adopted a pilot program that limits energy costs to some low-income households and attempts to prevent utility shut-offs. Currently, the program operates only in Ravalli County.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Montana, an estimated 44.3 percent of those who are eligible are served under the federally-funded WIC program.[14]

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13. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

14. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S.

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Montana does *not* supplement the WIC program.

Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

NEBRASKA

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Nebraska Highlights

Estimated poverty rate, 1985	14.8%
Estimated number of poor, 1985	238,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	46.3%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	73.1%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	59.5%
Percentage of unemployed receiving unemployment insurance, 1986	32.4%**
Percentage of state tax revenue from individual and corporate income tax, 1986	36.3%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	yes	26
SSI state supplement	yes	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	no	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	no	10
Covers renters	no	25

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*Data are from 1987, except where otherwise noted.

**Unemployment insurance coverage fell to 27.0 percent in 1987.

NEBRASKA

An estimated 14.8 percent of the population of Nebraska, or 238,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, child care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Nebraska, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance generally receive a level of aid that does not lift them to the poverty line.

The safety net for poor people in Nebraska contains some sizable holes. The maximum AFDC benefit for a family of three with no other income is equal to less than half of the poverty line. AFDC benefits in Nebraska have not been raised since 1980, although consumer prices rose 38 percent during this period.

Medicaid coverage for poor families with children is also limited. For a family to be eligible for Medicaid, it must have income (after medical expenses and some limited deductions) less than three-fifths of the poverty line. Nebraska has not adopted the Medicaid option that extends coverage to pregnant women

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

and young children with incomes up to the poverty line. Half the states have adopted this option.

In addition, there are no state standards for cash assistance to low-income single individuals and childless couples who are neither elderly nor disabled, with the level of such assistance left up to each county. These types of households are also unlikely to receive health care coverage.

In another indication of the limits to cash assistance programs in Nebraska, just over one of four unemployed workers received unemployment insurance in 1987.

While Nebraska recently reformed its income tax code to reduce income taxes on the poor, other aspects of its tax system remain burdensome on them. The state has a "circuitbreaker" program to help ease the burden of property taxes on low-income households, but the circuitbreaker is limited to elderly homeowners -- making it one of the two most restrictive of the 31 state circuitbreaker programs across the country. Nebraska is also one of only 14 states with sales taxes that does not exempt utility bills from the tax. The lack of such an exemption raises the burden of the sales tax on poor households.

These and other aspects of the Nebraska safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and single individuals and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Nebraska well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Nebraska does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Nebraska:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $350 per month, or $4,200 per year. This AFDC benefit equals 46.3 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 28th out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $203 per month. At most, AFDC and food stamp benefits combined can equal 73.1 percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $5,040 per year, which equals 43.3 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 28.1 percent from 1970 to 1987, after adjusting for inflation. AFDC benefits in Nebraska were last raised in 1980.

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Nebraska who incurs deductible child care costs of $106 a month,[4] earnings of $551 a month -- equal to 72.9 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Nebraska:

- For a single mother with two children who does *not* get a child care deduction, earnings of $445 a month -- equal to 58.9 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Nebraska provides AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[5] Some 28 states have such a program (known as "AFDC-UP").

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4. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

5. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

- Nebraska has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986, only 9.9 percent of the AFDC caseload in Nebraska consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[6] Moreover, even though Nebraska supplements SSI, the value of its supplement has fallen sharply since 1974 and the combined SSI assistance is insufficient to lift elderly and disabled individuals out of poverty.

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6. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

In Nebraska:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[7]

- Nebraska supplements the basic federal SSI grant by $51 a month for an individual and $78 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 86.0 percent of the poverty line for an individual and 102.5 percent for a couple.

- The value of the state supplement, after adjustment for inflation, declined by 66.9 percent for an individual and 51.6 percent for a couple from 1974 (the year SSI started) to 1987.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $27 per month for an individual and $40 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 92.0 percent of the poverty line for individuals and 109.5 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

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7. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Nebraska:

- There are no state standards for the provision of general assistance. Counties can establish their own programs but are subject to no requirements to provide any particular minimum level of assistance or to meet any minimum coverage standards. In some counties, the state administers the program under contract with the county.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many poor two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Nebraska extends Medicaid coverage to all income-eligible children under 20 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Nebraska, a family of three with a monthly countable income of less than $450, after deducting medical expenses, is eligible for Medicaid.[8] This income eligibility limit is equal to 59.5 percent of the poverty line for a family of three.

Another key option is the **SOBRA**[9] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[10]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

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8. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

9. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

10. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983; so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

- Nebraska does *not* have a SOBRA program, leaving large numbers of pregnant women and young children from poor families without Medicaid coverage.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Nebraska covered 23 out of 32 possible optional Medicaid services. Services *not* covered by the Medicaid program in Nebraska included screening and preventive services other than those specifically provided for under the Medicaid plan.

Elderly and Disabled

In most states, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some states have especially restrictive Medicaid eligibility criteria for the elderly and disabled and *fail* to cover all SSI recipients under Medicaid. (These states are sometimes called "209(b) states" due to the section of federal law that permits them to adopt Medicaid eligibility criteria that are more restrictive than the criteria used for SSI.) States are permitted to use Medicaid eligibility criteria as restrictive as those they used for their elderly and disabled poor in January 1972, before SSI began.

- Nebraska is one of just 14 states that does *not* extend Medicaid eligibility to all SSI recipients.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Nebraska has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $375, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 82.5 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with

the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Nebraska has *not* adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Nebraska does not pay for services such as transportation.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Nebraska.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986.

In Nebraska:

- 32.4 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Nebraska ranked 26th among all states by this measure.
- Although 1986 data were used here and in the national overview for comparative purposes, 1987 data were recently tabulated. In Nebraska, the percentage of the unemployed receiving unemployment insurance fell to 27.0 percent in 1987. Nationwide, coverage fell to 31.5 percent in 1987, another historic low.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Nebraska:

- Average unemployment insurance benefits equaled 36.9 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific

taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Nebraska, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	31.4%
Corporation net income	4.9
General sales	31.3
Selective sales	22.8
License	8.4
Other taxes	1.3

As the table indicates, Nebraska collects 36.3 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes.

In Nebraska:

- A two-parent family of four will begin to owe income taxes when its income reaches $12,800 (which is above the estimated 1988 poverty line).

For poor households in Nebraska, sales tax burdens can be heavy. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Nebraska:

- The sales tax rate was 4.0 percent in 1987.
- 31.3 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the

sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Nebraska:

- Utilities were *not* exempt from taxation; food was exempt.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Nebraska does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Nebraska has a circuitbreaker program.[11]

- However, Nebraska has one of the two most restrictive circuitbreakers in the country. Eligibility for the circuitbreaker is limited to elderly homeowners. All low-income renter households and all low-income homeowners who are not elderly are ineligible.

- By contrast, 25 of the other 30 states with circuitbreaker programs do cover renters and four of the other five states that just cover homeowners also cover the disabled. Ten states cover both elderly and nonelderly households.

- Benefits could be extended to elderly homeowners with incomes up to $10,400.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 22,715 renter households in Nebraska received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number of "very low-income" renter households residing in Nebraska totalled 67,950. (1983 is the latest year for which these data are now available.)

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11. Circuitbreaker information is from 1985.

- If all those who received rental assistance were "very low-income" renters, then no more than 33.4 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 33.4 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[12] In Nebraska:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 50.3 percent. This represented a shortage of 17,206 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

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12. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Nebraska's share of the federal LIHEAP appropriation equaled 28.5 percent of the estimated total heating and cooling costs[13] of all low-income households in Nebraska which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Nebraska, an estimated 43.1 percent of those who are eligible are served under the federally-funded WIC program.[14]

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13. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

14. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Nebraska does *not* supplement the WIC program.

Nebraska is one of 14 states that has a federally funded Commodity Supplemental Food Program which has a target population similar to that of WIC. The CSFP program serves 5,136 participants in Nebraska. The WIC participation rate mentioned above accounts for these CSFP participants.[15]

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the number of WIC eligibles in the nation are for 1984.

15. CSFP participants are ineligible for the WIC program; therefore, the Center adjusted USDA's 1984 WIC eligible pool by subtracting out CSFP participants who otherwise meet WIC eligibility criteria.

NEVADA

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Nevada Highlights

Estimated poverty rate, 1985	14.4%
Estimated number of poor, 1985	135,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	37.7%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	67.1%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	37.7%
Percentage of unemployed receiving unemployment insurance, 1986	36.7%
Percentage of state tax revenue from individual and corporate income tax, 1986	0%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no	28
AFDC emergency assistance	no	26
SSI state supplement	yes	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	no	32
Medicaid "SOBRA" option		
Pregnant women and children	no	25
Elderly and disabled	no	4
Medicaid Medically Needy program	no	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	no	10
Covers renters	yes	25

*Data are from 1987, except where otherwise noted.

NEVADA

An estimated 14.4 percent of the population of Nevada, or 135,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Nevada, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance generally receive a level of aid that does not lift them to the poverty line.

The safety net for poor people in Nevada is weaker than in most other states in the nation. Nevada's level of cash assistance to single-parent families ranked 37th among all states and the District of Columbia in 1987. A mother and two children with no other income received a maximum AFDC benefit of $285 a month in 1987, which equalled just 37.7 percent of the poverty line.

Nevada's AFDC benefit level is set lower than that of most other states despite the fact that Nevada's per capita income is higher than that of most other states. While ranking 37th in AFDC benefits, Nevada ranked 13th in per

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

capita income in 1987 -- a greater negative disparity between the AFDC benefit ranking and the per capita income ranking than in any other state.[2]

In addition, Nevada has elected not to provide AFDC benefits to two-parent families with children who are poor, unlike 28 other states that provide this coverage. Nevada also has elected not to operate an AFDC emergency assistance program, through which 26 states provide some aid to homeless families with children and other families facing emergency situations. The state also lacks a state general assistance program for poor single individuals and childless couples; the provision of assistance to such households is left up to the discretion of the counties.

Nevada is one of just seven states in the nation that does not currently offer any of four key Medicaid options that provide health coverage to members of poor families with children who do not receive AFDC benefits or to elderly and disabled people who do not receive SSI. Twenty-five states extend Medicaid coverage to pregnant women and infants who live in families with incomes up to the poverty line, but Nevada does not. For a three-person family, Nevada's Medicaid income eligibility limit is set at about two-fifths of the poverty line, making many families with incomes that are well below the poverty line -- including those with pregnant women and infants -- ineligible for health care coverage. Moreover, unlike most other states, Nevada has chosen not to provide Medicaid to poor households whose high medical expenses reduce their incomes to levels that make them poorer than households receiving AFDC or SSI. Finally, the adults in two-parent families and many of their children are ineligible for Medicaid, no matter how poor they are.

Furthermore, Nevada has a limited unemployment insurance program. In 1987, fewer than one in three of the unemployed received unemployment insurance in an average month. For two-parent unemployed families and their children who do not qualify for or have exhausted their unemployment benefits (as well as for many jobless single individuals and childless couples in this situation who are not elderly or disabled), little or no safety net exists. They are ineligible for virtually any cash assistance (and in many cases, for any health care coverage either) regardless of how poor they may be.

Nevada also has a regressive tax system that places significant tax burdens on low-income households. For example, while the state has a circuitbreaker program to help ease the burden of property taxes on low-income households, the circuitbreaker is restricted to the elderly and disabled; poor families with children cannot qualify.

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2. The per capita income ranking used here is based on 1987 data. The Center's companion report, *Holes in the Safety Nets -- National Overview*, used 1986 data, the latest available at the time it was prepared.

Per capita income data are not available for 1988, but Nevada's AFDC benefits did increase, with the maximum benefit for a family of three equalling $325 per month in January 1988. This increase makes Nevada's AFDC benefit rank 31st in the nation, a higher value than in 1987, but still quite low for Nevada's level of income.

Finally, low-income households in Nevada are confronted with a serious shortage of low rent housing. In 1985, the number of very low-income renter households was more than two and a half times as great as the number of very low-rent units.

These and other aspects of the Nevada safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of poor households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Nevada well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Nevada does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Nevada:

- A single parent with two children, and with no income, was eligible for a maximum AFDC cash benefit of $285 per month, or $3,420 per year in

1987. This AFDC benefit equalled 37.7 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line was $9,069 in 1987).

- This AFDC benefit level for a family of three ranked 37th out of all states.[3]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equalled $222 per month. At most, AFDC and food stamp benefits combined could equal 67.1 percent of the poverty line.[4]

  However, more than one of every four AFDC households in Nevada does not receive food stamps. Nevada's food stamp participation rate for AFDC households ties for the fourth lowest in the nation.[5]

- For a single-parent family of *four* without any income, maximum AFDC benefits were $4,092 per year, which equalled 35.2 percent of the 1987 poverty line (the estimated four-person poverty line was $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 18.3 percent from 1970 to 1987, after adjusting for inflation.

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3. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

4. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

5. According to a recent study by the U.S. General Accounting Office, 72.2 percent of AFDC households in Nevada received food stamps in fiscal year 1986, but 27.8 percent did not. The national average participation rate was 83.4 percent.

Households in which all members are covered by an AFDC grant are automatically eligible for food stamps. However, only 74.8 percent of these households received food stamps in Nevada. This is the lowest state participation rate in the nation for these households, according to the GAO data.

Among households consisting both of AFDC family members and of other persons residing with them, 57.4 percent receive food stamps in Nevada, which also is low compared to most other states.

- AFDC benefits were increased in 1988. The maximum AFDC benefit for a family of three now equals $325 a month, which is 41.2 percent of the estimated 1988 poverty line. This benefit level ranks 31st in the nation, still a low ranking given Nevada's high per capita income.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Nevada who incurs deductible child care costs of $106 a month,[6] earnings of $486 a month -- equal to 64.3 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Nevada:

- For a single mother with two children who does *not* get a child care deduction, earnings of $380 a month -- equal to 50.3 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Nevada does not provide AFDC emergency assistance.

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6. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[7] Some 28 states have such a program (known as "AFDC-UP").

- Nevada does *not* have an AFDC-UP program.

Since there is no AFDC-UP program in Nevada, two-parent families with an unemployed primary earner are ineligible for cash assistance, other than unemployment insurance benefits, which are available only to a minority of the unemployed. In some states, counties with a general assistance program do offer aid to two-parent families, but two-parent families are typically excluded from such aid.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[8] Moreover, even though Nevada supplements SSI, the value of the state supplement has fallen by

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7. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and asset eligibility requirements.

8. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

nearly three-fifths since 1974 and combined SSI assistance is insufficient to lift elderly and disabled individuals out of poverty.

In Nevada:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[9]

- Nevada supplements the basic federal SSI grant by $36 a month for an individual and $74 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 82.7 percent of the poverty line for an individual and 101.8 percent for a couple.

- However, only low-income elderly households are eligible for a supplement; there is no supplement for the disabled.

- The value of the state supplement, after adjustment for inflation, declined by 59.9 percent for an individual and 59.3 percent for a couple from 1974 (the year SSI started) to 1987.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $32 per month for an individual and $41 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 89.6 percent of the poverty line for individuals and 109.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but

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9. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Nevada:

- There are no state standards for the provision of general assistance. Counties can establish their own programs but are subject to no requirements to provide any particular minimum level of assistance or to meet any minimum coverage standards.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of eligibility provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though Nevada does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- Nevada does not provide Medicaid coverage to two-parent families who meet its AFDC income eligibility requirements.

Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Nevada extends Medicaid coverage only to some income-eligible children under 19 years of age. It is one of 19 states that has chosen to restrict this coverage to small groups of children, such as those who are adopted.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically**

Needy program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Nevada is one of 14 states that does *not* have a Medically Needy program. Consequently, the Medicaid income eligibility limit in Nevada is the same as the AFDC income eligibility limit, which was only 37.7 percent of the three-person poverty level in 1987. In 1988, the limit is 41.2 percent of the estimated three-person poverty level.

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

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10. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

11. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Nevada does *not* have a SOBRA program, leaving large numbers of pregnant women and young children from poor families without Medicaid coverage.

Nevada is one of seven states that has adopted *none* of the four key Medicaid options described above: coverage of two-parent families, coverage of Ribicoff children, a Medically Needy program, and SOBRA coverage of pregnant women and young children. In contrast, forty-one states have adopted two or more of these options.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Nevada covered 24 out of 32 possible optional Medicaid services. Services *not* covered by the Medicaid program in Nevada included diagnostic, screening, and preventive services not specifically provided under other options.

Elderly and Disabled

In most states, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Moreover, by federal law, recipients of the *federal* SSI grant are automatically eligible for Medicaid, but Nevada is one of just a few states that has chosen not to confer automatic Medicaid eligibility on people who only receive *state* SSI supplemental payments.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

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birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

- Nevada does *not* have a Medically Needy program for the low-income elderly and disabled.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Nevada has *not* adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Nevada.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their

unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Nevada:

- 36.7 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Nevada ranked 18th among all states by this measure.
- Although 1986 data were used here and in the national overview for comparative purposes, 1987 data were recently tabulated. In Nevada, the percentage of the unemployed receiving unemployment insurance fell to 30.9 percent in 1987. Nationwide, coverage fell to 31.5 percent in 1987, another historic low.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Nevada:

- Average unemployment insurance benefits equaled 37.9 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to

which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Nevada, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	0.0%
Corporation net income	0.0
General sales	49.6
Selective sales	36.0
License	11.2
Other taxes	3.2

As the table indicates, Nevada is one of only 10 states without a broad-based individual income tax. This usually makes a state tax system significantly more regressive and increases overall tax burdens on low-income people.

Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Nevada:

- The sales tax rate was 5.75 percent in 1987.[12] In the typical state with a general sales tax, the sales tax rate was five percent.
- 49.6 percent of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Nevada:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

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12. This figure includes a mandatory 3.75 percent county sales tax.

- Nevada does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Nevada has a circuitbreaker program.[13]
- Eligibility for the circuitbreaker is limited to elderly homeowners and renters; thus it fails to assist the nonelderly.
- The average annual benefit from the circuitbreaker in Nevada was $168 in 1985, and benefits could be extended to elderly households with incomes up to $15,100.

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13. Circuitbreaker information is from 1985.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 15,016 renter households in Nevada received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in Nevada totalled 47,620. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 31.5 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 31.5 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the

number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[14] In Nevada:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by a staggering *264.1 percent*. This represented a shortage of 25,441 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide

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14. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Nevada's share of the federal LIHEAP appropriation equaled only 12.2 percent of the estimated total heating and cooling costs[15] of all low-income households in Nevada which were potentially eligible for assistance under federal guidelines. This percentage is expected to be even lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Nevada, an estimated 61.0 percent of those who are eligible are served under the federally-funded WIC program.[16]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Nevada does *not* supplement the WIC program.

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15. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

16. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

NEW HAMPSHIRE

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

New Hampshire Highlights

Estimated poverty rate, 1985	6.0%
Estimated number of poor, 1985	60,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	64.3%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	85.7%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	64.3%
Percentage of unemployed receiving unemployment insurance, 1986	22.8%
Percentage of state tax revenue from individual and corporate income tax, 1986	25.5%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no	28
AFDC emergency assistance	no	26
SSI state supplement	yes	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	no	32
Medicaid "SOBRA" option		
Pregnant women and children	no	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	no	31

*Data are from 1987, except where otherwise noted.

NEW HAMPSHIRE

An estimated 6.0 percent of the population of New Hampshire, or 60,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in New Hampshire, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of aid that does not lift them to the poverty line.

The safety net for poor people in New Hampshire contains some very large holes, making it one of the weakest in the Northeastern United States.

Although New Hampshire increased its AFDC benefit levels in 1987, this action did not fully compensate for their erosion during the 1970s. From 1970 to 1987, maximum AFDC benefits for a family of four in New Hampshire fell 37 percent, after adjustment for inflation and including the 1987 increase.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

New Hampshire has chosen not to provide AFDC benefits to two-parent families with children who are poor. It is the only state in the Northeast that fails to provide this coverage. New Hampshire also has chosen not to provide AFDC emergency assistance, through which a number of other states aid some homeless families with children and other poor families facing emergencies.

New Hampshire's Medicaid program is also quite restrictive. To be eligible, a single-parent family of three must have income (after medical expenses and some limited deductions) of less than two-thirds of the poverty line. Moreover, New Hampshire has failed to adopt three of the four key state options to extend Medicaid to more low-income families and children than is required under federal law. Every other Northeastern state (and all but 10 other states in the nation) has adopted at least two of these options. For example, New Hampshire does not provide Medicaid coverage to virtually all children in poor two-parent families. New Hampshire also has failed to adopt the option enabling states to provide Medicaid coverage to pregnant women and infants with incomes up to the poverty line.

There are no state standards for cash assistance to low-income singles and childless couples who are neither elderly nor disabled. The level of any such assistance is left up to each county. These types of households are also unlikely to receive health assistance.

In addition, 22.8 percent -- or fewer than one of every four -- unemployed people received unemployment insurance in New Hampshire in an average month in 1986. This was the fourth lowest unemployment insurance coverage rate of any state in the nation (coverage fell to 17.3 percent in 1987). For poor two-parent families with children who do not qualify for or have exhausted unemployment benefits (as well as for single individuals and childless couples in this situation), the safety net is especially weak. They are likely to be eligible for little or no cash assistance. In most cases, they will also be ineligible for health care coverage. These gaps in coverage could result in substantial hardship in the event of a recession.

Low-income households in New Hampshire encounter a serious shortage of low-rent housing. In 1985, the number of very low-income renter households was twice the number of very low-rent units. In addition, New Hampshire is one of only two New England states that lacks a "circuitbreaker" program to ease property tax burdens in low income households.

These and other aspects of the New Hampshire safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in New Hampshire well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. New Hampshire does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In New Hampshire:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $486 per month, or $5,832 per year. This AFDC benefit equals 64.3 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987). The maximum benefit level of $486 per month reflected a substantial increase from its 1986 level of $397 a month, but, as later discussed, it does not compensate for the erosion of benefit levels in the 1970s.

- This AFDC benefit level for a family of three ranks 11th out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $162 per month. At most, AFDC and food stamp benefits combined can equal 85.7

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $6,492 per year, which equals 55.8 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 37.0 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in New Hampshire who incurs deductible child care costs of $106 a month,[4] earnings of $687 a month -- equal to 90.9 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In New Hampshire:

- For a single mother with two children who does *not* get a child care deduction, earnings of $581 a month -- equal to 76.9 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-

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3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

4. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- New Hampshire does not provide AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[5] Some 28 states have such a program (known as "AFDC-UP").

- New Hampshire does *not* have an AFDC-UP program.

Since there is no AFDC-UP program in New Hampshire, two-parent families with an unemployed primary earner are ineligible for cash assistance, other than unemployment insurance benefits, which are available only to a minority of the unemployed. In some states, counties with a general assistance program do offer aid to two-parent families, but two-parent families are typically excluded from such aid.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27

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5. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[6] Moreover, even though New Hampshire supplements SSI, the combined SSI assistance is insufficient to lift elderly and disabled individuals out of poverty, in part because the value of the state SSI supplement has fallen sharply since 1974.

In New Hampshire:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[7]

- New Hampshire supplements the basic federal SSI grant by $27 a month for an individual and $21 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 80.7 percent of the poverty line for an individual and 92.6 percent for a couple.

- The value of the state supplement, after adjustment for inflation, declined by 51.1 percent for an individual and 43.0 percent for a couple from 1974 (the year SSI started) to 1987.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $34 per month for an individual and $57 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 88.3 percent of the poverty line for individuals and 102.5 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

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6. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

7. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In New Hampshire:

- There are no state standards for the provision of general assistance. Counties can establish their own programs but are subject to no requirements to provide any particular minimum level of assistance or to meet any minimum coverage standards.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or

state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though New Hampshire does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- New Hampshire does not provide Medicaid coverage to two-parent families who meet its AFDC income eligibility requirements.

Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since two-parent families in New Hampshire are otherwise ineligible for Medicaid benefits.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- New Hampshire extends Medicaid coverage only to some income-eligible children under 19 years of age. It is one of 19 states that has chosen to restrict this coverage to small groups of children, such as those in foster homes.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in New Hampshire, a family of three with a monthly countable income of less than $467, after deducting medical expenses, is eligible for Medicaid.[8]

- However, New Hampshire is one of only seven states where the Medically Needy threshold is *lower than* the AFDC income eligibility limit of $486 per month or 64.3 percent of the poverty line. Therefore, the Medically Needy program extends coverage only to those families whose medical expenses drive their countable income somewhat below the state's AFDC income eligibility limit.[9]

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8. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

9. The above data are for 1987. As of January 1988, the Medically Needy income limit is $553 a month for a three-person family, which is higher than the AFDC income limit. Thus, in 1988 the Medicaid income limit is $553 a month for a three-person family, or 70.1 percent of the estimated 1988 poverty line.

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- New Hampshire does *not* have a SOBRA program, leaving large numbers of pregnant women and young children from poor families without Medicaid coverage.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, New Hampshire covered 26 out of 32 possible optional Medicaid services.

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10. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

11. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

Elderly and Disabled

In most states, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some states have especially restrictive Medicaid eligibility criteria for the elderly and disabled and *fail* to cover all SSI recipients under Medicaid. (These states are sometimes called "209(b) states" due to the section of federal law that permits them to adopt Medicaid eligibility criteria that are more restrictive than the criteria used for SSI.) States are permitted to use Medicaid eligibility criteria as restrictive as those they used for their elderly and disabled poor in January 1972, before SSI began.

- New Hampshire is one of just 14 states that does *not* extend Medicaid eligibility to all SSI recipients.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- New Hampshire has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $364, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 80.1 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- New Hampshire has *not* adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- Medicaid in New Hampshire does not pay for services such as dentures and transportation.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any

form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in New Hampshire.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In New Hampshire:

- 22.8 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- New Hampshire ranked 48th among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 33.0 percent of the unemployed in New Hampshire received unemployment insurance benefits in an average month.

- Although 1986 data were used here and in the national overview for comparative purposes, 1987 data were recently tabulated. In New Hampshire, the percentage of the unemployed receiving unemployment insurance fell to 17.3 percent in 1987. Nationwide, coverage fell to 31.5 percent in 1987, another historic low.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In New Hampshire:

- Average unemployment insurance benefits equaled 34.3 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

The low level of unemployment insurance coverage in New Hampshire is of particular significance for poor individuals and families given the absence of an AFDC-UP program for two-parent families and the absence of a state general cash assistance program (there are county-based general cash assistance programs). As a result, in households without an elderly or disabled person, unemployed single people as well as childless couples or two-parent families with an unemployed worker are unlikely to receive cash assistance from any level of government, no matter how poor they are.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In New Hampshire, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	5.1%
Corporation net income	20.4
General sales	0.0
Selective sales	45.3
License	16.9
Other taxes	12.2

As the table indicates, New Hampshire collects just 25.5 percent of its revenue through the state individual and corporate income taxes. This is less than the 36.6 percent of revenue raised through income taxes in the typical (or median) state with an individual income tax.

New Hampshire is one of only 10 states without a broad-based individual income tax. (The 5.1 percent in individual income taxes noted above is from a tax on interest and dividends.) The absence of this generally progressive method of taxation usually makes a state tax system significantly more regressive and increases overall tax burdens on low-income people.

Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In New Hampshire:

- There is no general sales tax, but nearly half of all revenue is collected through selective sales taxes.

Substantial as the burden of other taxes can be, local property taxes are even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household

is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- New Hampshire does *not* have a circuitbreaker program.[12]

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 16,042 renter households in New Hampshire received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in New Hampshire totalled 40,530. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 39.6 percent of eligible "very low-income" households would have received aid. However, since some of those

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12. Circuitbreaker information is from 1985.

households receiving assistance were "low-income" households (rather than "very low-income" households), the 39.6 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[13] In New Hampshire:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by *97.4 percent*. This represented a shortage of 14,719 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

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13. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, New Hampshire's share of the federal LIHEAP appropriation equaled 32.2 percent of the estimated total heating and cooling costs[14] of all low-income households in New Hampshire which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In New Hampshire, an estimated 54.1 percent of those who are eligible are served under the federally-funded WIC program.[15]

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14. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

15. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- New Hampshire does *not* supplement the WIC program.

NEW JERSEY

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

New Jersey Highlights

Estimated poverty rate, 1985	8.3%
Estimated number of poor, 1985	628,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	56.1%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	81.0%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	74.9%
Percentage of unemployed receiving unemployment insurance, 1986	44.2%
Percentage of state tax revenue from individual and corporate income tax, 1986	36.0%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	yes	26
SSI state supplement	yes	27
Statewide general assistance	yes	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	yes	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	no	31

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*Data are from 1987, except where otherwise noted.

NEW JERSEY

An estimated 8.3 percent of the population of New Jersey, or 628,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not. (In another example, New Jersey's service-oriented Realizing Economic Achievement -- REACH -- program is not discussed.)

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

Many of those who are poor in New Jersey receive government assistance, with their eligibility and the level of assistance highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of aid that leaves them well below the poverty line.

Although New Jersey has adopted many of the optional programs to assist low-income households, sizable holes in its safety net remain. The maximum AFDC benefit level for a family of three with no other income equals only a little more than half (56.1 percent) of the poverty line. Even if food stamps are counted as income and added in, maximum combined AFDC and food stamp benefits still fall well short of the poverty line, in large part because AFDC benefits (for families with no other income) dropped more than 50 percent in New Jersey from 1970 to 1987, after adjustment for inflation.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

New Jersey also provides low benefit levels in some other programs. In the state's general assistance program for poor single individuals a childless couples, benefit levels are $140 a month for an individual and $193 for a couple, or about 30 percent of the poverty line. General assistance benefit levels are about twice as high in New York.

New Jersey does supplement federal SSI benefit levels for the elderly and disabled poor. The supplement levels, however, are modest ($31 a month for an elderly individual in 1987) and leave many SSI recipients below the poverty line.

Poor households in New Jersey encounter other difficulties as well, including a shortage of affordable housing and substantial tax burdens. In 1985, the number of very low-income renter households in New Jersey was more than triple the number of very low-rent housing units. The lack of sufficient low-rent housing appears to be one of the most serious problems facing New Jersey residents who are poor.

Furthermore, New Jersey imposes an unusually heavy tax burden on its low-income households. A family of four must begin paying income tax in New Jersey when its income reaches just $4,000 a year. This income tax threshold, which is less than one-third of the poverty line, ties with two other states for the lowest income tax threshold in the country. By contrast, a family of four in New York begins owing income tax when its income reaches $14,000, and the federal income tax threshold for such a family is about $15,000.

New Jersey also lacks a property tax "circuitbreaker" program to provide property tax relief for low-income households. New York, Pennsylvania, and 29 other states have circuitbreakers. Only eight other states outside the South lack circuitbreakers.

The gaps in New Jersey's safety net are more striking because of the state's very high ranking -- third in the nation -- in per capita income. New Jersey has more financial resources to narrow the gaps in its safety net than have many other states.

These and other aspects of the New Jersey safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in New Jersey well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. New Jersey does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In New Jersey:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $424 per month, or $5,088 per year. This AFDC benefit equals 56.1 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 14th out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $188 per month. At most, AFDC and food stamp benefits combined can equal

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

81.0 percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $5,856 per year, which equals 50.4 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 51.8 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in New Jersey who incurs deductible child care costs of $106 a month,[4] earnings of $625 a month -- equal to 82.7 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In New Jersey:

- For a single mother with two children who does *not* get a child care deduction, earnings of $519 a month -- equal to 68.7 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency

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3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

4. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- New Jersey provides AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[5] Some 28 states have such a program (known as "AFDC-UP").

- New Jersey has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986, only 2.7 percent of the AFDC caseload in New Jersey consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

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5. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[6] Moreover, even though New Jersey supplements SSI, the combined SSI assistance is insufficient to lift elderly and disabled individuals out of poverty, in part because the value of the state SSI supplement has fallen by nearly two-thirds since 1974.

In New Jersey:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[7]

- New Jersey supplements the basic federal SSI grant by $31 a month for an individual and $25 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 81.6 percent of the poverty line for an individual and 93.3 percent for a couple.

- The value of the state supplement, after adjustment for inflation, declined by 62.6 percent for an individual and 65.0 percent for a couple from 1974 (the year SSI started) to 1987.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $33 per month for an individual and $56 per month for a couple.

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6. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

7. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 88.9 percent of the poverty line for individuals and 103.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In New Jersey:

- There is a state general assistance program serving needy people.

- For a household that is employable but without any income, the monthly benefits are $140 for one person or $193 for a two-person household, which are equal to 29.0 percent and 31.3 percent of the respective poverty lines for these households.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present. Starting in the fall of 1988, states will be required to extend Medicaid coverage to all children up to *five* years of age from these families.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid

income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- New Jersey extends Medicaid coverage to all income-eligible children under 21 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in New Jersey, a family of three with a monthly countable income of less than $566, after deducting medical expenses, is eligible for Medicaid.[8] This income eligibility limit is equal to 74.9 percent of the poverty line for a family of three.

Another key option is the **SOBRA**[9] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC,

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8. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

9. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[10]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- New Jersey has a SOBRA program, with an income eligibility limit equal to the federal poverty level.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, New Jersey covered 28 out of 32 possible optional Medicaid services for many Medicaid households. However, for households that are covered by Medicaid under the Medically Needy option, only 20 options were covered. Among the services not covered for these households were many services for the mentally impaired.

Elderly and Disabled

In most states, including New Jersey, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a Medically Needy program for the elderly and disabled. Some 34 states have done so.

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10. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

- New Jersey has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $350, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 77.0 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the SOBRA law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- New Jersey has adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in New Jersey.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In New Jersey:

- Some 44.2 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- New Jersey ranked fifth among all states by this measure.
- However, the strength of unemployment insurance coverage was down from 1979 when 62.7 percent of the unemployed in New Jersey received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In New Jersey:

- Average unemployment insurance benefits equaled 37.7 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In New Jersey, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	24.6%
Corporation net income	11.4
General sales	31.3
Selective sales	23.3
License	6.2
Other taxes	3.2

As the table indicates, New Jersey collects just 36.0 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

In New Jersey:

- If a two-parent family of four earns $10,000 a year, it will owe state income taxes of $120. By contrast, in the typical (or median) state with an income tax, such a family has a tax liability of $31.

- The income tax burden for a family at this income level is the 10th highest in the nation.

- A two-parent family of four will begin to owe income taxes when its income reaches $4,000, which is 32.7 percent of the estimated 1988 poverty line. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In New Jersey:

- The sales tax rate was 6.0 percent in 1987. In the typical state with a general sales tax, the sales tax rate was five percent.

- 31.3 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In New Jersey:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- New Jersey does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a

household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- New Jersey does not have a circuitbreaker program.[11]

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 139,169 renter households in New Jersey received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in New Jersey totalled 403,040. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 34.5 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 34.5 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

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11. Circuitbreaker information is from 1985.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[12] In New Jersey:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by *229.7 percent*. This represented a shortage of 192,304 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps. New Jersey does have a $33 million program for communities to write down the cost of residential rehabilitation and the construction of affordable housing, but the size of the program is small compared to the size of the low-income housing shortage.

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12. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, New Jersey's share of the federal LIHEAP appropriation equaled 19.8 percent of the estimated total heating and cooling costs[13] of all low-income households in New Jersey which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In New Jersey, only an estimated 42.3 percent of those who are eligible are served under the federally-funded WIC program.[14]

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13. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

14. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- New Jersey does *not* supplement the WIC program.[15]

15. New Jersey does have a WIC "contingency fund" of $750,000 which may be used to cover WIC costs if the state overspends its federal WIC grant for a fiscal year. To the best of our knowledge, New Jersey has not had to dip into the contingency fund and spend state money for WIC.

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NEW MEXICO

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

New Mexico Highlights

Estimated poverty rate, 1985	18.5%
Estimated number of poor, 1985	268,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	34.9%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	65.1%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	34.9%
Percentage of unemployed receiving unemployment insurance, 1986	27.5%**
Percentage of state tax revenue from individual and corporate income tax, 1986	11.9%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no	28
AFDC emergency assistance	no	26
SSI state supplement	no	27
Statewide general assistance	yes	25
Full use of Ribicoff option for children	no	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	no	4
Medicaid Medically Needy program	no	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	no	10
Covers renters	yes	25

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*Data are from 1987, except where otherwise noted.

**Coverage fell to 23.8 percent in 1988.

NEW MEXICO

An estimated 18.5 percent of the population of New Mexico, or 268,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in New Mexico, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance generally receive a level of aid that leaves them below the poverty line.

The safety net for poor people in New Mexico is one of the weakest in the nation. New Mexico's level of cash assistance to single-parent families ranks 40th among all states and the District of Columbia. A mother and two children with no other income received a maximum AFDC benefit of $264 a month in 1987, which equalled about one-third (34.9 percent) of the poverty line. Since 1970, maximum AFDC benefits have declined 40 percent in New Mexico, after adjusting for inflation.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

In addition, New Mexico has elected not to provide AFDC benefits to two-parent families with children who are poor, unlike 28 other states that provide this coverage. New Mexico also lacks an AFDC emergency assistance program, which is used in 26 other states to provide aid to some homeless families with children and other poor families that face emergencies. Furthermore, New Mexico lacks a general cash assistance program for poor single individuals and childless couples who are not elderly or disabled.

Medicaid eligibility is tightly constrained, with many poor families being left outside the program. For all members of a single-parent family of three to receive Medicaid, the family must have income that is less than 34.9 percent of the poverty line. Most members of poor two-parent families are ineligible for Medicaid. Moreover, New Mexico has chosen not to extend Medicaid coverage to low-income working families with children who have such large medical bills that their income (after medical costs and some limited deductions) makes them poorer than families receiving AFDC benefits. In a positive step, New Mexico has adopted the new option that extends Medicaid coverage to pregnant women and young children who live in families with incomes up to the poverty line.

Elderly and disabled people who are poor generally receive more government assistance than other poor households, but the safety net for them is also incomplete. They may receive the basic federal SSI grant. However, this still leaves them below the poverty line. Twenty-seven states supplement the basic SSI grant so that the elderly and disabled poor may be brought closer to or above the poverty line. New Mexico is not one of these states.

New Mexico also has a restrictive unemployment insurance program. In 1987, 23.8 percent of unemployed New Mexico residents -- fewer than one in four -- received unemployment insurance in an average month. For unemployed two-parent families who do not qualify for or have exhausted their unemployment benefits (as well as for jobless single individuals and childless couples in this situation, who are not elderly or disabled), not much of a safety net exists. They are ineligible for virtually any cash assistance regardless of how poor they may be. In most cases, they are ineligible for health care coverage, as well.

On a positive note, New Mexico has one of the most comprehensive tax credit systems for relieving the burden of state and local taxes on poor households.

These and other aspects of New Mexico's safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in New Mexico well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. New Mexico does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In New Mexico:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $264 per month, or $3,168 per year. This AFDC benefit equals 34.9 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 40th out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $228 per month. At most, AFDC and food stamp benefits combined can equal 65.1

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $3,804 per year, which equals 32.7 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 40.4 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in New Mexico who incurs deductible child care costs of $106 a month,[4] earnings of $465 a month -- equal to 61.5 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In New Mexico:

- For a single mother with two children who does *not* get a child care deduction, earnings of $359 a month -- equal to 47.5 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency

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3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

4. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- New Mexico does not provide AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[5] Some 28 states have such a program (known as "AFDC-UP").

- New Mexico does *not* have an AFDC-UP program.

Since there is no AFDC-UP program in New Mexico, two-parent families with an unemployed primary earner are ineligible for cash assistance, other than unemployment insurance benefits, which are available only to a minority of the unemployed.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27

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5. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[6]

In New Mexico:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[7] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.

- New Mexico does *not* supplement the basic federal SSI grant.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

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6. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

7. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In New Mexico:

- There is a state general assistance program but it serves only disabled people. Thus nondisabled, nonelderly singles and childless couples who are poor are left without any government cash assistance (unless they are receiving unemployment insurance).

- For a household without any income, the monthly benefits are $156 for one person or $224 for a two-person household, which are equal to 32.4 percent and 36.3 percent of the respective poverty lines for these households.[8]

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in

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8. In some statewide programs, the level of general assistance benefits varies by areas within the state; in these instances, benefit levels for the most representative area are cited.

non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid lenient income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though New Mexico does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- New Mexico does not provide Medicaid coverage to two-parent families who meet its AFDC income eligibility requirements.

Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since two-parent families in New Mexico are not eligible for AFDC benefits.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- New Mexico extends Medicaid coverage only to some income-eligible children under 18 years of age. It is one of 19 states that has chosen to restrict this coverage to small groups of children.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- New Mexico is one of 14 states that does *not* have a Medically Needy program. Consequently, the Medicaid income eligibility limit in New Mexico is the same as the AFDC income eligibility limit, which is only 34.9 percent of the three-person poverty level.

Another key option is the **SOBRA**[9] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the

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9. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[10]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- New Mexico has a SOBRA program, with an income eligibility limit equal to the federal poverty level.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, New Mexico covered 16 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Important services *not* covered by the Medicaid program in New Mexico included occupational therapy and services for speech, hearing, and language disorders.

Elderly and Disabled

In most states, including New Mexico, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- New Mexico does *not* have a Medically Needy program for the low-income elderly and disabled.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the SOBRA law also provides states with

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10. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- New Mexico has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in New Mexico does not pay for services such as services to the elderly who live in mental institutions.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in New Mexico.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In New Mexico:

- 27.5 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- New Mexico ranked 37th among all states by this measure.
- Although 1986 data were used here and in the national overview for comparative purposes, 1987 data were recently tabulated. In New Mexico, the percentage of the unemployed receiving unemployment insurance fell to 23.8 percent in 1987. Nationwide, coverage fell to 31.5 percent in 1987, another historic low.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In New Mexico:

- Average unemployment insurance benefits equaled 37.6 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

The low level of unemployment insurance coverage in New Mexico is of particular significance for poor individuals and families given the absence of an AFDC-UP program for two-parent families and the limits to the state's general assistance program. As a result, in households without an elderly or disabled person, unemployed single people as well as childless couples or two-parent families with an unemployed worker are unlikely to receive cash assistance from any level of government, no matter how poor they are.

Taxes

In nearly-all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In New Mexico, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	7.0%
Corporation net income	4.9
General sales	42.8
Selective sales	15.0
License	4.4
Other taxes	25.8

As the table indicates, New Mexico collects 11.9 percent of its revenue through the state individual and corporate income taxes. This is much less than the 36.6 percent of revenue raised through income taxes in the typical (or median) state with an individual income tax.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes.

In New Mexico:

- A two-parent family of four will begin to owe income taxes when its income reaches $12,000, which is 98.1 percent of the estimated 1988 poverty line.

Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In New Mexico:

- The sales tax rate was 4.75 percent in 1987.
- 42.8 percent of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In New Mexico:

- Food and utilities were *not* exempt from taxation. (There is a notable exception. Federal law requires that purchases made with food stamps be exempt from the sales tax.)

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- As part of one of the most comprehensive approaches to relieving the burden of state taxes on poor households in the country, New Mexico has a sales tax credit of $45 per exemption for food and $7.50 per exemption for medical expenses.

In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household

is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- New Mexico has a circuitbreaker program.[11]
- Eligibility for the circuitbreaker is limited to elderly homeowners and renters; thus it fails to assist the nonelderly.
- The average annual benefit from the circuitbreaker in New Mexico was $100 in 1985, and benefits could be extended to elderly households with incomes up to $16,000.

New Mexico is the only state with a unified tax relief plan to ease the burden of state and local taxes on the poor. The size of the rebate from the Low Income Comprehensive Tax Rebate depends on a household's income and the number of personal exemptions it can claim. For example, a household with four exemptions and adjusted income of $2,000 would be eligible for a rebate of $235; if that household had adjusted income of $5,000, it would be eligible for a rebate of $115. A household with two exemptions and adjusted income of $2,000 would receive a rebate of $155. However, despite this rebate approach, New Mexico's state and local taxes remained highly regressive for those earning below $10,000.[12]

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less

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11. Circuitbreaker information is from 1985.

12. Steven Gold, *State Tax Relief for the Poor*, (Denver: National Conference of State Legislators, April 1987), pp. 79-82.

than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 21,749 renter households in New Mexico received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number of "very low-income" renter households residing in New Mexico totalled 69,530. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 31.3 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 31.3 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[13] In New Mexico:

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13. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 41.7 percent. This represented a shortage of 11,813 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, New Mexico's share of the federal LIHEAP appropriation equaled 17.4 percent of the estimated total heating and cooling costs[14] of all low-income households in New Mexico which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

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14. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In New Mexico, only an estimated 38.1 percent of those who are eligible are served under the federally-funded WIC program.[15]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- New Mexico does not supplement the WIC program.

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15. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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NEW YORK

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

New York Highlights

Estimated poverty rate, 1985	15.8%
Estimated number of poor, 1985	2,804,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	65.7%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	88.8%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	81.6%**
Percentage of unemployed receiving unemployment insurance, 1986	36.7%***
Percentage of state tax revenue from individual and corporate income tax, 1986	59.3%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	yes	26
SSI state supplement	yes	27
Statewide general assistance	yes	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	no	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	yes	10
Covers renters	yes	25

*Data are from 1987, except where otherwise noted.

**For a family of four, the Medicaid income eligibility limit is just 63.5 percent of the poverty line.

***Coverage increased to 41.5 percent in 1987.

NEW YORK

An estimated 15.8 percent of the population of New York, or 2,804,000 people, lived in poverty in 1985.[1] New York's poverty rate was well above the national rate of 14.0 percent. This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

Many of those who are poor in New York receive government assistance. But their eligibility and the level of assistance are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of aid that leaves them below the poverty line.

Sizable holes remain in the safety net in New York, even though it has a stronger system of government assistance to the poor than most other states. The maximum AFDC benefit for a family of three with no other income equals about two-thirds of the poverty line. Even if food stamps are counted as income and added in, the combined value of AFDC and food stamp benefits still leaves a family of three without other income below the poverty line, in part because basic AFDC benefits for families without other income declined 39.3 percent from 1970 to 1987 after adjusting for inflation. For all members of a family of three

1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

to be eligible for Medicaid, the family must have income (after medical expenses and some limited deductions) of less than 81.6 percent of the poverty line (for a family of four, the eligibility limit is 64.5 percent of its poverty line).

New York has not adopted key Medicaid options that extend coverage to all pregnant women, young children, and elderly and disabled individuals in poverty. In particular, New York has not adopted a state option used by 25 other states (including Connecticut, New Jersey and Pennsylvania) to extend Medicaid coverage to pregnant women and infants with incomes up to the poverty line.

As in many other states, unemployment insurance coverage has contracted in New York. Only 41.5 percent of the unemployed -- a little more than two in five -- received unemployment benefits in an average month in 1987.

Among the most serious problems facing many low-income households in New York is a severe housing shortage. In 1985, the number of very low-income renter households was nearly two and a half times greater than the number of very low-rent units -- an estimated shortage of more than a half million (538,000) units.

While poor households have been removed from the state income tax rolls, they still face sizable sales and property tax burdens in New York. For example, New York does not provide a sales tax rebate to low income households. While the state does have a "circuitbreaker" (or property tax relief program for low income households), circuitbreaker benefits are significant only for elderly households. Poor families with children that have high property tax burdens can qualify for a maximum circuitbreaker benefit of only $75 per year.

These and other aspects of the New York safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in New York below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. New York does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In New York:

- A single parent with two children, and with no income, was eligible for a maximum AFDC cash benefit of $497 per month in 1987, or $5,964 per year.[2] This AFDC benefit equalled 65.7 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranked eighth out of all states.[3]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equalled $175 per month. At most, AFDC and food stamp benefits combined could

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2. AFDC benefits vary within the state. The figures used here are for New York City in 1987. In Suffolk County, the maximum AFDC cash benefit for a three-person family equals $602 per month, or 79.7 percent of the poverty line. Benefit levels were raised in both areas in 1988. In New York City, the maximum AFDC benefit for a family of three now equals $539 a month or 68.3 percent of the estimated 1988 poverty line. In Suffolk County, this benefit level equals $665 a month or 84.3 percent of the poverty line.

3. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

equal 88.8 percent of the poverty line.[4] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a single-parent family of *four* without any income, maximum AFDC benefits were $7,152 per year, which equalled 61.5 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 39.3 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- In 1987, for a single mother with two children in New York who incurred deductible child care costs of $106 a month,[5] earnings of $698 a month -- equal to 92.3 percent of the poverty line -- meant the loss of all AFDC benefits after the fourth month she held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In New York:

- For a single mother with two children who does *not* get a child care deduction, earnings of $592 a month -- equal to 78.3 percent of the poverty line -- meant the loss of all AFDC benefits after the fourth month she held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing

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4. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

5. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- New York provides AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- New York has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very-low income, is excluded from AFDC-UP coverage.

- In 1986, only 3.5 percent of the AFDC caseload in New York consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their

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6. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[7]

In New York:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[8]

- New York supplements the basic federal SSI grant by $72 a month for an individual and $93 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 90.6 percent of the poverty line for an individual and 105.1 percent for a couple.

- The value of the state supplement, after adjustment for inflation, declined by 48.7 percent for an individual and 46.9 percent for a couple from 1974 (the year SSI started) to 1987.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $21 per month for an individual and $35 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 95.2 percent of the poverty line for individuals and 111.3 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

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7. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

8. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is available in many states. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In New York:

- There is a state general assistance program serving needy people called "home relief." Funding is split evenly between the state and local governments.

- Benefits vary across the state, depending on local shelter costs. In New York City, for a household without any income living in a heated apartment, the monthly benefits are $334 for one person or $489 for a two-person household, which are equal to 66.4 percent and 75.8 percent of the respective estimated 1988 poverty lines for these households. In Albany County, where shelter costs are lower, for a household without any income living in a heated apartment, the monthly benefits are $303 for one person or $452 for a two-person household, which are equal to 60.2 percent and 70.2 percent of the respective poverty lines for these households.[9]

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

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9. In the Center's companion report, *Holes in the Safety Nets -- National Overview*, data from 1987 were used to facilitate comparison with other states. Benefit levels were raised for 1988.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are often essentially excluded from Medicaid coverage.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many two-parent families do not receive AFDC benefits. (For example, poor two-parent families with a full-time worker are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the

Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- New York extends Medicaid coverage to all income-eligible children under 21 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in New York, a family of three with a monthly countable income of less than $617, after deducting medical expenses, is eligible for Medicaid.[10] This income eligibility limit is equal to 81.6 percent of the poverty line for a family of three. For a family of four, the income eligibility limit is $625 a month, or 64.5 percent of the four-person poverty line.

Another key option is the **SOBRA**[11] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for

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10. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

11. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[12]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- New York does *not* have a SOBRA program, leaving large numbers of pregnant women and young children from poor families without Medicaid coverage.[13]

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, New York covered 26 out of 32 possible optional Medicaid services.

The provisions of the Medicaid program in New York -- particularly the lack of the SOBRA program -- are especially noteworthy because in 1985 the state infant mortality rate was 10.8 per thousand births, above the national average of

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12. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

13. In a state program that operates only in New York City and Erie County, New York does provide comprehensive pre- and postnatal care to women where the low birth weight and infant mortality rates are high. The program assists those who are uninsured or on Medicaid with incomes no greater than 185 percent of the poverty line.

10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, including New York, all of the elderly and disabled who receive SSI payments are eligible for Medicaid.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- New York has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $417, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 91.7 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- New York has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- For example, Medicaid in New York does not pay for certain services for the elderly in mental institutions.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are often ineligible for Medicaid. One exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in New York. Another exception is that the recipients of New York's general relief program are eligible for Medicaid.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly

and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In New York:

- Only 36.7 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- New York ranked 19th among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 45.0 percent of the unemployed in New York received unemployment insurance benefits in an average month.
- Although 1986 data were used here and in the national overview for comparative purposes, 1987 data were recently tabulated. In New York, the percentage of the unemployed receiving unemployment insurance rose to 41.5 percent in 1987 -- higher than in 1986, but still lower than in 1979.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In New York:

- Average unemployment insurance benefits equaled 31.2 percent of the average weekly wages of workers covered by unemployment

insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In New York, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	50.9%
Corporation net income	8.4
General sales	20.9
Selective sales	12.0
License	3.4
Other taxes	4.4

As the table indicates, New York collects 59.3 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into

poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes.

In New York:

- A two-parent family of four will begin to owe income taxes when its income reaches $14,000 (which is above the estimated 1988 poverty line).

For poor households in New York, sales tax burdens can be substantial. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In New York:

- The sales tax rate was 4.0 percent in 1987.[14]

- 20.9 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In New York:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- New York does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax

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14. Some counties and cities also have their own sales taxes in addition to the 4.0 percent state tax. For example, Erie County and New York City both have general sales taxes of 4.0 percent. In both areas, the total state and local general sales tax equals 8.0 percent. (New York City also has a 0.25 percent sales tax for the Metropolitan Commuter Transit District.)

burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- New York has a circuitbreaker program.[15]
- Eligibility for the circuitbreaker is extended to homeowners and renters of all ages.
- The average annual benefit from the circuitbreaker in New York was $73 in 1985, and benefits could be extended to households with incomes up to $18,000.
- For the elderly, the maximum circuitbreaker benefit is $375, but for all other households, including families with children, the maximum benefit is $75.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental

15. Circuitbreaker information is from 1985.

housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 454,852 renter households in New York received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in New York totalled 1,484,980. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 30.6 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 30.6 percent figure -- as small as it is -- overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[16]

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16. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households

In New York:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by *137.6 percent*; that is, for every very low-rent unit, there were nearly two and one-half very low renter households. This represented a shortage of 537,689 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

New York does finance several programs for low and moderate income residents, including a $100 million Moderate Income Rental Program providing 1,268 modestly-priced units, a $25 million mortgage subsidy program subsidizing 3,816 moderate income homeowners, and a $25 million Low Income Housing Trust program financing some 45 housing projects for low-income residents. However, the size of these programs is relatively small compared to the size of the housing shortage.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

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with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, New York's share of the federal LIHEAP appropriation equaled only 23.6 percent of the estimated total heating and cooling costs[17] of all low-income households in New York which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In New York, an estimated 45.6 percent of those who are eligible are served under the federally-funded WIC program.[18]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- New York supplements the WIC program, bringing the overall percentage of WIC eligibles who are served to 52.6 percent.

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17. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

18. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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NORTH CAROLINA

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

North Carolina Highlights

Estimated poverty rate, 1985	14.2%
Estimated number of poor, 1985	889,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	34.3%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	64.4%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	46.3%
Percentage of unemployed receiving unemployment insurance, 1986	29.5%
Percentage of state tax revenue from individual and corporate income tax, 1986	48.7%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	no	26
SSI state supplement	no	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	no	31

*Data are from 1987, except where otherwise noted.

NORTH CAROLINA

An estimated 14.2 percent of the population of North Carolina, or 889,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in North Carolina, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance are unlikely to receive a level of aid sufficient to lift them close to the poverty line.

The safety net for poor people in North Carolina contains sizable holes. North Carolina's level of AFDC cash assistance to single-parent households ranks 42nd among all states and the District of Columbia. A mother with two children with no other income receives a maximum AFDC benefit of $259 a month, which equals about one-third (34.3 percent) of the poverty line. Even if food stamps are counted as income and added in, maximum combined AFDC and food stamp benefits equal less than two-thirds of the poverty line. These benefit levels fall farther below the poverty line than they did in the 1970s. From 1970 to 1987,

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

the maximum AFDC benefits for a family without other income declined 38.7 percent, after adjusting for inflation.

In addition, an unusually low percentage of AFDC families (72 percent) receive food stamps in North Carolina. This is the fourth lowest food stamp participation rate for AFDC families in the country.

One part of the AFDC program was recently expanded. North Carolina adopted the program that makes some two-parent poor families with an unemployed worker eligible for AFDC benefits. The state has also adopted some key options to extend Medicaid coverage to poor mothers and children who are not on welfare. For example, North Carolina adopted the new Medicaid option that extends Medicaid coverage to pregnant women and young children who live in families with incomes up to the poverty line. However, many low income families remain outside the Medicaid program. For all members of a family of three to qualify for Medicaid coverage, the family must have income (after medical expenses and some limited deductions) that falls below 46.3 percent of the poverty line.

The safety net is weakest in North Carolina for poor single individuals and childless couples who are not elderly or disabled. The state has no general cash assistance program for such persons. They are also generally ineligible for health care coverage.

Nor do many such households receive unemployment insurance. In 1986, only 29.5 percent of the unemployed workers in North Carolina received unemployment benefits in an average month.

The elderly and disabled poor can receive the basic federal SSI grant. However, this still leaves them below the poverty line. Twenty-seven states supplement the federal SSI grant in order to lift the elderly and disabled closer to or above the poverty line, but North Carolina is not one of these states.

While North Carolina provides less assistance to poor households than the average state, it places heavier tax burdens on these households than most other states. A family of four begins owing state income tax in North Carolina when its income reaches just $4,300 a year, or about 35 percent of the poverty line. Only three other states impose income tax burdens at lower levels. In South Carolina, as a contrasting example, a family of four begins owing income tax when its income reaches $12,800. Moreover, a family of four with $10,000 in income (which is still $2,000 below the poverty line) must pay $252 in North Carolina income tax in 1988, the second highest income tax burden imposed by any state on a family at this income level. In addition, while 31 states have "circuitbreaker" programs to provide property tax relief to low income households, North Carolina is not among them.

These and other aspects of the North Carolina safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and

disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in North Carolina well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. North Carolina does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In North Carolina:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $259 per month, or $3,108 per year. This AFDC benefit equals 34.3 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 42nd out of all states.[2]

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $228 per month. At most, AFDC and food stamp benefits combined can equal 64.4 percent of the poverty line.[3]

- However, more than one of every four AFDC households in North Carolina does not receive food stamps. North Carolina's food stamp participation rate for AFDC households ties for the fourth lowest in the nation.[4]

- For a family of three without any income, AFDC benefit payments equal only 50.0 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $3,396 per year, which equals 29.2 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 38.7 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in North Carolina who

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3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

4. According to a recent report issued by the U.S. General Accounting Office, 72.2 percent of AFDC households in North Carolina received food stamps in fiscal year 1986, but 27.8 percent did not. The national average participation rate was 83.4 percent. The food stamp participation rate in North Carolina is especially low among households consisting both of AFDC family members and of other persons residing with them. Some 54.6 percent of such households received food stamps, which is well below the national average participation rate for such households.

incurs deductible child care costs of $106 a month,[5] earnings of $460 a month -- equal to 60.8 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In North Carolina:

- For a single mother with two children who does *not* get a child care deduction, earnings of $354 a month -- equal to 46.8 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- North Carolina does not provide AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- North Carolina has an AFDC-UP program.

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

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5. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

6. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[7]

In North Carolina:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[8] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.

- North Carolina does *not* supplement the basic federal SSI grant.

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7. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

8. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In North Carolina:

- There is no general assistance program, although some counties provide emergency assistance. Thus nondisabled, nonelderly singles and childless couples who are poor are left without *any* ongoing government cash assistance (unless they are receiving unemployment insurance).

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many poor two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- North Carolina extends Medicaid coverage to all income-eligible children under 21 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in North Carolina, a family of three with a monthly countable income of less than $350, after deducting medical expenses, is eligible for Medicaid.[9] This income eligibility limit is equal to 46.3 percent of the poverty line for a family of three.

Another key option is the **SOBRA**[10] option. As a result of the enactment of

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9. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

10. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- North Carolina has a SOBRA program, with an income eligibility limit equal to the federal poverty level.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, North Carolina covered 20 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Important services *not* covered by the Medicaid program in North Carolina included emergency hospital services and occupational therapy.

The provisions of the Medicaid program in North Carolina are especially noteworthy because in 1985 the state infant mortality rate was 11.8 per thousand births, which was above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

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11. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

Elderly and Disabled

In most states, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some states have especially restrictive Medicaid eligibility criteria for the elderly and disabled and *fail* to cover all SSI recipients under Medicaid. (These states are sometimes called "209(b) states" due to the section of federal law that permits them to adopt Medicaid eligibility criteria that are more restrictive than the criteria used for SSI.) States are permitted to use Medicaid eligibility criteria as restrictive as those they used for their elderly and disabled poor in January 1972, before SSI began.

- North Carolina is one of just 14 states that does *not* extend Medicaid eligibility to all SSI recipients.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- North Carolina has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $233, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 51.3 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- North Carolina has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in North Carolina does not pay for items and services such as prosthetic devices.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or

county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in North Carolina.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In North Carolina:

- 29.5 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- North Carolina ranked 31st among all states by this measure.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In North Carolina:

- Average unemployment insurance benefits equaled 37.2 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In North Carolina, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	39.5%
Corporation net income	9.2
General sales	24.8
Selective sales	16.6
License	7.0
Other taxes	2.8

As the table indicates, North Carolina collects 48.7 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

In North Carolina:

- If a two-parent family of four earns $10,000 a year, it will owe state income taxes of $252. By contrast, in the typical (or median) state with an income tax, such a family has a tax liability of $31.

- The income tax burden for a family at this income level is the second highest in the nation.

- A two-parent family of four will begin to owe income taxes when its income reaches $4,300, which is 35.1 percent of the estimated 1988 poverty line. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In North Carolina:

- The sales tax rate was 3.0 percent in 1987.

- Some 24.8 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities.

In North Carolina:

- Food was *not* exempt from taxation. (There is a notable exception. Federal law requires that purchases made with food stamps be exempt from the sales tax.) Utilities were exempt from the sales tax.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- North Carolina does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- North Carolina does *not* have a circuitbreaker program.[12]

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

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12. Circuitbreaker information is from 1985.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 97,754 renter households in North Carolina received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in North Carolina totalled 305,840. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 32.0 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 32.0 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[13] In North Carolina:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-

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13. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

rent units by 35.3 percent. This represented a shortage of 48,062 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, North Carolina's share of the federal LIHEAP appropriation equaled 14.1 percent of the estimated total heating and cooling costs[14] of all low-income households in North Carolina which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

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14. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In North Carolina, an estimated 49.5 percent of those who are eligible are served under the federally-funded WIC program.[15]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- North Carolina does *not* supplement the WIC program.

North Carolina is one of 14 states that has a federally funded Commodity Supplemental Food Program which has a target population similar to that of WIC. The WIC participation rate mentioned above accounts for these CSFP participants. (CSFP participants are ineligible for the WIC program; therefore, the Center adjusted USDA's 1984 WIC eligible pool by subtracting out CSFP participants who otherwise meet WIC eligibility criteria.) CSFP was in effect only in Halifax County, serving 1,159 participants.

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15. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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NORTH DAKOTA

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

North Dakota Highlights

Estimated poverty rate, 1985	15.9%
Estimated number of poor, 1985	109,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	49.1%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	75.1%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	57.6%
Percentage of unemployed receiving unemployment insurance, 1986	36.4%
Percentage of state tax revenue from individual and corporate income tax, 1986	21.0%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no	28
AFDC emergency assistance	no	26
SSI state supplement	no	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	no	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	no	10
Covers renters	yes	25

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*Data are from 1987, except where otherwise noted.

NORTH DAKOTA

An estimated 15.9 percent of the population of North Dakota, or 109,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in North Dakota, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance are unlikely to receive a level of aid that lifts them out of poverty.

The safety net for poor people in North Dakota contains some large holes and in important respects is significantly weaker than in the average state. The maximum AFDC benefit for a mother and two children with no other income equals less than half (49.1 percent) of the poverty line. If food stamps are counted as income and added in, the maximum combined AFDC and food stamp benefit comes to three-quarters of the poverty line. From 1970 to 1987, AFDC benefits declined 40.4 percent, after adjusting for inflation.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

In addition, North Dakota has elected not to provide AFDC benefits to two-parent families with children who are poor, unlike 28 other states that provide this coverage. North Dakota also does not operate the AFDC emergency assistance program, which is used in a number of other states to provide aid to some homeless families with children and other families facing emergencies. North Dakota, moreover, has no general cash assistance for poor single individuals or childless couples who are not elderly or disabled. Such people are generally ineligible either for cash assistance or health care coverage.

Medicaid eligibility is also constrained, with many poor families left outside the program. For all members of a single-parent family of three to receive Medicaid, the family must have income (after medical expenses and some limited deductions) less than 57.6 percent of the poverty line. North Dakota does not provide Medicaid coverage to most members of poor two-parent families and has not adopted a state option being used by 25 other states to extend Medicaid coverage to pregnant women and infants with incomes up to the poverty line.

Elderly and disabled people who are poor can receive the basic federal SSI grant, but this leaves them below the poverty line. Twenty-seven states supplement the basic SSI grant so that elderly and disabled poor may be brought closer to or above the poverty line. North Dakota is not one of these states.

In 1986, some 36.4 percent of unemployed North Dakota workers -- slightly more than one in three -- received unemployment insurance in an average month. The combination of limited unemployment insurance coverage, the lack of AFDC-UP for two-parent families and the absence of a general assistance program for single individuals and childless couples means that unemployed workers and their families often fail to qualify for cash assistance at all, unless they are single parents or elderly or disabled people. These households are also unlikely to have health care coverage.

These and other aspects of the North Dakota safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in North Dakota well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. North Dakota does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In North Dakota:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $371 per month, or $4,452 per year. This AFDC benefit equals 49.1 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 21st out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $197 per month. At most, AFDC and food stamp benefits combined can equal 75.1 percent of the poverty line.[3]

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

However, about one of every four AFDC households in North Dakota does not receive food stamps. North Dakota's food stamp participation rate for AFDC households is the seventh lowest in the nation, according to a recent study by the U.S. General Accounting Office.[4]

- For a single-parent family of *four* without any income, maximum AFDC benefits are $5,448 per year, which equals 46.9 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 40.4 percent from 1970 to 1987, after adjusting for inflation. AFDC benefits in North Dakota were last raised in 1985.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in North Dakota who incurs deductible child care costs of $106 a month,[5] earnings of $572 a month -- equal to 75.7 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In North Dakota:

- For a single mother with two children who does *not* get a child care deduction, earnings of $466 a month -- equal to 61.6 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

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4. The General Accounting Office found that 74.2 percent of AFDC households in North Dakota received food stamps in fiscal year 1986. Households in which all members are covered by an AFDC grant are automatically eligible for food stamps. In North Dakota, 77.7 percent of such households received food stamps, well below the national average participation rate for these households of 93.7 percent. In addition, among households consisting both of AFDC family members and of other persons residing with them, just 59.4 percent received food stamps.

5. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- North Dakota does not provide AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- North Dakota does *not* have an AFDC-UP program.

Since there is no AFDC-UP program in North Dakota, two-parent families with an unemployed primary earner are ineligible for cash assistance, other than unemployment insurance benefits, which are available only to a minority of the unemployed. (In some counties, two-parent families may be eligible for emergency assistance.)

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the benefit and eligibility standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of

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6. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[7]

In North Dakota:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[8] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.

- North Dakota does *not* supplement the basic federal SSI grant.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

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7. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

8. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In North Dakota:

- There is no general assistance program, but there are emergency assistance programs administered by the counties without state supervision. Thus nondisabled, nonelderly singles and childless couples who are poor are left without *any* ongoing cash assistance (unless they are receiving unemployment insurance).

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though North Dakota does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- North Dakota does not provide Medicaid coverage to two-parent families who meet its AFDC income eligibility requirements.

Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since poor two-parent families are not eligible for AFDC benefits.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- North Dakota extends Medicaid coverage to all income-eligible children under 21 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income

minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in North Dakota, a family of three with a monthly countable income of less than $435, after deducting medical expenses, is eligible for Medicaid.[9] This income eligibility limit is equal to 57.6 percent of the poverty line for a family of three.

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

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9. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

10. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

11. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- North Dakota does *not* have a SOBRA program, leaving large numbers of pregnant women and young children from poor families without Medicaid coverage.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, North Dakota covered 24 out of 32 possible optional Medicaid services.

Elderly and Disabled

In most states, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some states have especially restrictive Medicaid eligibility criteria for the elderly and disabled and *fail* to cover all SSI recipients under Medicaid. (These states are sometimes called "209(b) states" due to the section of federal law that permits them to adopt Medicaid eligibility criteria that are more restrictive than the criteria used for SSI.) States are permitted to use Medicaid eligibility criteria as restrictive as those they used for their elderly and disabled poor in January 1972, before SSI began.

- North Dakota is one of 14 states that does *not* extend Medicaid eligibility to all SSI recipients.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- North Dakota has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly

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birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

income of $345, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 75.9 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- North Dakota has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- Medicaid in North Dakota does not pay, for example, for certain services for the elderly in mental institutions.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in North Dakota.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In North Dakota:

- 36.4 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- North Dakota ranked 20th among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 51.9 percent of the unemployed in North Dakota received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In North Dakota:

- Average unemployment insurance benefits equaled 50.2 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This

is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In North Dakota, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	11.9%
Corporation net income	9.1
General sales	28.7
Selective sales	16.6
License	9.0
Other taxes	24.6

As the table indicates, North Dakota collects just 21.0 percent of its revenue through the state individual and corporate income taxes. This is less than the 36.6 percent of revenue raised through income taxes in the typical (or median) state with an individual income tax.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes.

North Dakota has removed many households in poverty from its state income tax rolls.

- A two-parent family of four will begin to owe income taxes when its income reaches $12,800 (which is above the estimated 1988 poverty line of $12,135).

For poor households in most states, sales tax burdens are significant. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption.

In North Dakota:

- The sales tax rate was 5.5 percent in 1987. In the typical state with a general sales tax, the sales tax rate was five percent.

- Some 28.7 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In North Dakota:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- North Dakota does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- North Dakota has a circuitbreaker program.[12]
- Eligibility for the circuitbreaker is limited to low-income elderly homeowners and renters; thus it fails to assist the nonelderly.
- The average annual benefit from the circuitbreaker in North Dakota was $203 in 1985, and benefits could be extended to elderly households with incomes up to $10,000.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 12,311 renter households in North Dakota received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

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12. Circuitbreaker information is from 1985.

- Yet in 1983, the number just of "very low-income" renter households residing in North Dakota totalled 27,840. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 44.2 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 44.2 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[13] In North Dakota:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income rental households exceeded the number of very low-rent units by 46.6 percent. This represented a shortage of 6,445 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low-rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding

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13. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, North Dakota's share of the federal LIHEAP appropriation equaled 47.6 percent of the estimated total heating and cooling costs[14] of all low-income households in North Dakota which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In North Dakota, an estimated 51.5 percent of those who are eligible are served under the federally-funded WIC program.[15]

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14. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

15. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S.

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- North Dakota does *not* supplement the WIC program.

Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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OHIO

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Ohio Highlights

Estimated poverty rate, 1985	12.8%
Estimated number of poor, 1985	1,376,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	40.9%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	69.9%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	40.9%
Percentage of unemployed receiving unemployment insurance, 1986	28.1%
Percentage of state tax revenue from individual and corporate income tax, 1986	35.9%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	yes	26
SSI state supplement	no	27
Statewide general assistance	yes	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	no**	25
Elderly and disabled	no	4
Medicaid Medically Needy program	no	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	no	10
Covers renters	no	25

*Data are from 1987, except where otherwise noted.

**The state legislature has passed a law allowing the state's Department of Human Services the *option* to implement this provision in January 1989, but has not provided funding.

OHIO

An estimated 12.8 percent of the population of Ohio, or 1,376,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

Many of those who are poor in Ohio receive government assistance. But their eligibility and the level of assistance are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance are likely to receive a level of aid that leaves them below the poverty line.

The safety net for poor people in Ohio contains some large holes. Ohio's level of AFDC cash assistance to single-parent families ranks 33rd among all states and the District of Columbia. The maximum AFDC benefit for a mother and two children with no other income equals only about two-fifths (40.9 percent) of the poverty line. If food stamps are counted as income and added in, the maximum combined AFDC and food stamp benefit equals a little more than two-thirds (69.9 percent) of the poverty line. From 1970 to 1987, AFDC benefits declined 34.6 percent, after adjusting for inflation.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

In addition, to be eligible for Medicaid, a three-person family must have income of less than 40.9 percent of the poverty line. Ohio has not adopted state Medicaid options that would provide coverage to members of needy families that do not receive AFDC benefits, such as poor pregnant women and young children in non-AFDC households or low income working families with high medical expenses.

Elderly and disabled poor people can receive the basic federal SSI grant, but this still leaves them below the poverty line. While 27 states supplement the federal SSI benefit levels to lift the elderly and disabled closer to or above the poverty line, Ohio is not one of these states. In addition, the level of cash assistance to low-income singles and childless couples who are neither elderly nor disabled is very low (it is $136 a month for a poor individual, which comes to 28.2 percent of the poverty line), and these households are also unlikely to receive any government health assistance.

Other weaknesses in Ohio's safety net stand out as well. Only 28.1 percent of unemployed workers in Ohio received unemployment insurance in 1986. While Ohio has a circuitbreaker program to provide property tax relief to low-income households, the provision is limited to low-income elderly and disabled homeowners -- thus failing to ease the burden of property taxes on most of the low-income population. Moreover, there is a substantial shortage of low-rent housing; the number of very low-income renter households is nearly double the number of very low-rent units.

These and other aspects of the safety net for poor Ohio households will be discussed in this report.

The first part of the report examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the report discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Ohio well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Ohio does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Ohio:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $309 per month, or $3,708 per year. This AFDC benefit equals 40.9 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 33rd out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $219 per month. At most, AFDC and food stamp benefits combined can equal 69.9 percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

- For a family of three without any income, AFDC benefit payments equal only 45.8 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $4,584 per year, which equals 39.4 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 34.6 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Ohio who incurs deductible child care costs of $106 a month,[4] earnings of $510 a month -- equal to 67.5 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Ohio:

- For a single mother with two children who does *not* get a child care deduction, earnings of $404 a month -- equal to 53.5 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

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4. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

- Ohio provides AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[5] Some 28 states have such a program (known as "AFDC-UP").

- Ohio has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986, some 14.4 percent of the AFDC caseload in Ohio consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27

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5. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[6]

In Ohio:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[7] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.

- Ohio does *not* supplement the basic federal SSI grant.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

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6. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

7. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Ohio:

- There is a state general assistance program serving needy people.
- The counties set their own benefit levels within state-established maximum and minimum standards. For a household without any income that lives in two rooms, the maximum monthly benefits a county may pay are $136 for one person or $179 for a two-person household. These levels are equal to 28.2 percent and 29.0 percent of the respective poverty lines for these households. The *minimum* monthly benefits levels, including a shelter allowance for two rooms, are $118 for one person and $130 for a two-person household.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of eligibility provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Poor singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many poor two-parent families do not receive AFDC benefits. (For example, poor two-parent families with a full-time worker are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Ohio extends Medicaid coverage to all income-eligible children under 21 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Ohio is one of 14 states that does *not* have a Medically Needy program. Consequently, the Medicaid income eligibility limit in Ohio is the same as the AFDC income eligibility limit, which is only 40.9 percent of the three-person poverty level. Moreover, families with children who have somewhat higher gross incomes, but who incur large medical expenses that reduce their remaining income to less than 40.9 percent of the poverty line are ineligible for Medicaid.

Another key option is the SOBRA[8] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[9]

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8. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

9. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal law enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Ohio does *not* have a SOBRA program, leaving large numbers of pregnant women and young children from poor families without Medicaid coverage. (The state legislature has enacted legislation giving the state's Department of Human Services the *option* to implement this program in January 1989, but has not provided funding. The Department is currently investigating whether it could implement SOBRA using existing funds.)

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Ohio covered 25 out of 32 possible optional Medicaid services. Services *not* covered by the Medicaid program in Ohio included diagnostic, screening, and preventive services other than those specifically covered under Medicaid.

Elderly and Disabled

In most states, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some states have especially restrictive Medicaid eligibility criteria for the elderly and disabled and *fail* to cover all SSI recipients under Medicaid. (These states are sometimes called "209(b) states" due to the section of federal law that permits them to adopt Medicaid eligibility criteria that are more restrictive than the criteria used for SSI.) States are permitted to use Medicaid eligibility criteria as restrictive as those they used for their elderly and disabled poor in January 1972, before SSI began.

- Ohio is one of just 14 states that does *not* extend Medicaid eligibility to all SSI recipients.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Ohio does *not* have a Medically Needy program for the low-income elderly and disabled.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the SOBRA law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Ohio has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Ohio.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial program discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states

(spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986.

In Ohio:

- Only 28.1 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Ohio ranked 35th among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 40.0 percent of the unemployed in Ohio received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Ohio:

- Average unemployment insurance benefits equaled 39.5 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Ohio, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	30.6%
Corporation net income	5.3
General sales	34.9
Selective sales	19.5
License	8.9
Other taxes	0.7

As the table indicates, Ohio collects 35.9 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Federal tax reform in 1986 removed poor families from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes.

In Ohio:

- A two-parent family of four will begin to owe income taxes when its income reaches $10,400, which is 85.0 percent of the estimated 1988 poverty line. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Ohio:

- The sales tax rate was 5.0 percent in 1987.

- Some 34.9 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Ohio:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low and moderate income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Ohio does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low and moderate income households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their state income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Ohio has a circuitbreaker program.[10]

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10. Circuitbreaker information is from 1985.

- However, Ohio has one of the six most restrictive circuitbreaker programs in the country. Eligibility for the Ohio circuitbreaker is limited to elderly and disabled homeowners. All low-income renter households and all low-income homeowners who are not elderly or disabled are ineligible.

- By contrast, 25 of the other 30 states with circuitbreaker programs do cover renters, and 10 states also cover households who are neither elderly nor disabled.

- The average annual benefit from the circuitbreaker in Ohio was $160 in 1985. Elderly and disabled homeowners with incomes of up to $15,000 are eligible for benefits.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 190,309 renter households in Ohio received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in Ohio totalled 537,230. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 35.4 percent of eligible "very low-income"

households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 35.4 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[11] In Ohio:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by *92.3 percent*. This represented a shortage of 165,586 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

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11. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Ohio's share of the federal LIHEAP appropriation equaled 18.3 percent of the estimated total heating and cooling costs[12] of all low-income households in Ohio which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

Ohio is one of four states that has adopted a percentage of income plan (PIP) to help fill the energy assistance gap and prevent utility shut-offs. Participating households must apply for LIHEAP benefits. During the colder months of the year, utility costs for recipient households are limited to 15 percent of their income.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Ohio, an estimated 58.4 percent of those who are eligible are served under the federally-funded WIC program.[13]

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12. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

13. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S.

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Ohio does *not* supplement the WIC program.

Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

F222-127

WEST VIRGINIA

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

West Virginia Highlights

Estimated poverty rate, 1985	22.3%
Estimated number of poor, 1985	432,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	32.9%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	63.1%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	38.4%
Percentage of unemployed receiving unemployment insurance, 1986	27.1%
Percentage of state tax revenue from individual and corporate income tax, 1986	30.7%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	yes	26
SSI state supplement	no	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	no	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	no	10
Covers renters	yes	25

*Data are from 1987, except where otherwise noted.

WEST VIRGINIA

An estimated 22.3 percent of the population of West Virginia, or 432,000 people, lived in poverty in 1985,[1] making West Virginia one of the poorest states in the nation. This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

Many of those who are poor in West Virginia receive government assistance, with their eligibility and level of assistance highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. However, those who qualify for assistance are unlikely to receive a sufficient level of aid to lift them out of poverty.

The safety net for poor people in West Virginia contains substantial holes. West Virginia's level of AFDC cash assistance to a three-person family ranks 43rd among all states and the District of Columbia; the maximum level of assistance provided -- which is given to families with no other income -- equals less than one-third of the poverty line. For all members of a three-person family with children to be eligible for Medicaid, the family must have income (after medical expenses and some limited deductions) of less than 38.4 percent of the poverty line. In a positive step, West Virginia has adopted the new option that extends

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

Medicaid coverage to pregnant women and young children who live in families with incomes up to the poverty line.

Elderly and disabled people can receive the basic federal SSI grant, but this leaves them below the poverty line. Twenty-seven states supplement the basic SSI benefit to lift the elderly and disabled poor closer to or above the poverty line, but West Virginia is not one of these states.

The safety net is weakest for poor single individuals and childless couples who are not elderly or disabled. They may receive general cash assistance only on an emergency basis; ongoing assistance is not provided to such households. They generally are ineligible for health care coverage as well.

In addition, only 27.1 percent of unemployed West Virginians received unemployment insurance in 1986.

These and other aspects of the West Virginia safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in West Virginia well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. West Virginia does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In West Virginia:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $249 per month, or $2,988 per year.[2] This AFDC benefit equals 32.9 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 43rd out of all states.[3]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $228 per month. At most, AFDC and food stamp benefits combined can equal 63.1 percent of the poverty line.[4] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a family of three without any income, AFDC benefit payments equal 50.1 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.) West Virginia last raised its need standard in 1985.

- For a single-parent family of *four* without any income, maximum AFDC benefits are $3,744 per year, which equals 32.2 percent of

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2. Benefits are from the area with the highest benefits among West Virginia's three benefit areas.

3. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

4. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 22.6 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in West Virginia who incurs deductible child care costs of $106 a month,[5] earnings of $450 a month -- equal to 59.5 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In West Virginia:

- For a single mother with two children who does *not* get a child care deduction, earnings of $344 a month -- equal to 45.5 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- West Virginia provides AFDC emergency assistance.

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5. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- West Virginia has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986, some 28.4 percent of the AFDC caseload in West Virginia consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27

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6. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[7]

In West Virginia:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[8] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.

- West Virginia does *not* supplement the basic federal SSI grant.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

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7. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

8. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In West Virginia:

- There is a state emergency assistance program serving needy people. However, nondisabled, nonelderly singles and childless couples who are poor are left without any ongoing cash assistance (unless they are receiving unemployment insurance).

- For a household without any income, the maximum monthly benefits are $340 for one person or $458 for a two-person household, which are equal to 70.5 percent and 74.2 percent of the respective poverty lines for these households.

- Benefits are provided on a one-time emergency or temporary basis.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may

receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many poor two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- West Virginia extends Medicaid coverage only to some income-eligible children. It is one of 19 states that has chosen to restrict this coverage to small groups of children.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family

is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in West Virginia, a family of three with a monthly countable income of less than $290, after deducting medical expenses, is eligible for Medicaid.[9] This income eligibility limit is equal to 38.4 percent of the poverty line for a family of three.

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

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9. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

10. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

11. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- West Virginia has a SOBRA program, with an income eligibility limit equal to the federal poverty level.[12]

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, West Virginia covered 18 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Important services *not* covered by the Medicaid program in West Virginia included occupational therapy and rehabilitative services.

The provisions of the Medicaid program in West Virginia is especially noteworthy because in 1985 the state infant mortality rate was 10.7 per thousand births, which was above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, including West Virginia, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- West Virginia has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $200, after expenditures for medical care and other

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September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

12. West Virginia also offers pre-natal care to uninsured women with income no greater than the poverty line.

deductions, is eligible for coverage. This eligibility limit is 44.0 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- West Virginia has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in West Virginia does not pay for services such as transportation and services for the elderly in mental institutions.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in West Virginia.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In West Virginia:

- 27.1 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- West Virginia ranked 38th among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 48.8 percent of the unemployed in West Virginia received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In West Virginia:

- Average unemployment insurance benefits equaled 40.8 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This

is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In West Virginia, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	25.9%
Corporation net income	4.8
General sales	43.9
Selective sales	18.1
License	5.9
Other taxes	1.4

As the table indicates, West Virginia collects 30.7 percent of its revenue through the state individual and corporate income taxes. This is less than the 36.6 percent of revenue raised through income taxes in the typical (or median) state with an individual income tax.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

In West Virginia:

- If a two-parent family of four earns $10,000 a year, it will owe state income taxes of $60. By contrast, in the typical (or median) state with an income tax, such a family has a tax liability of $31.

- A two-parent family of four will begin to owe income taxes when its income reaches $8,000, which is 65.4 percent of the estimated 1988 poverty line. Although the threshold is still substantially below the

poverty line, it does reflect a large increase from the 1986 threshold of $3,600.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In West Virginia:

- The sales tax rate was 5.0 percent in 1987.
- Some 43.9 percent of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In West Virginia:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- West Virginia does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some

states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- West Virginia has a circuitbreaker program, but benefit levels are very low.[13]

- Eligibility for the circuitbreaker is limited to low-income elderly homeowners and renters; thus it fails to assist the nonelderly.

- The average annual benefit from the circuitbreaker in West Virginia was $18 in 1985, and benefits could be extended to elderly households with incomes up to $5,000.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households

13. Circuitbreaker information is from 1985.

that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 26,844 renter households in West Virginia received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in West Virginia totalled 86,230. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 31.1 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 31.1 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the growing gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[14] In West Virginia:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 11.4 percent. This represented a shortage of 5,293 very low-rent units. (The shortage is understated, because some of the very low-rent units were rented by households that did not have very low incomes.)

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution,

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14. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low-rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, West Virginia's share of the federal LIHEAP appropriation equaled 20.4 percent of the estimated total heating and cooling costs[15] of all low-income households in West Virginia which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal

15. Heating and cooling costs average less than half of the total energy costs of low-income households (on nationwide basis).

funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In West Virginia, only an estimated 39.2 percent of those who are eligible are served under the federally-funded WIC program.[16]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- West Virginia does *not* supplement the WIC program.

16. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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WISCONSIN

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Wisconsin Highlights

Estimated poverty rate, 1985	11.6%
Estimated number of poor, 1985	554,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	72.6%**
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	91.5%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	84.8%
Percentage of unemployed receiving unemployment insurance, 1986	35.3%
Percentage of state tax revenue from individual and corporate income tax, 1986	48.2%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	yes	26
SSI state supplement	yes	27
Statewide general assistance	yes	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	no	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	yes	10
Covers renters	yes	25

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*Data are from 1987, except where otherwise noted.

**AFDC benefits were cut from 1987 to 1988; in 1988, maximum AFDC benefits for a three-person family will equal 65.6 percent of the estimated poverty line, a substantial drop from the 1987 level of 72.6 percent.

WISCONSIN

An estimated 11.6 percent of the population of Wisconsin, or 554,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

Many of those who are poor in Wisconsin receive government assistance. But their eligibility and the level of assistance they may receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of aid that does not lift them to the poverty line.

Sizable holes remain in the safety net in Wisconsin, even though it has a stronger system of government assistance to the poor than most other states. For example, to be eligible for Medicaid, a three-person family must have income (after medical expenses and some limited deductions) of less than 84.8 percent of the poverty line. Families who are at slightly higher income levels, but who are still below the poverty line, generally do not qualify. In addition, unlike half of the states, Wisconsin has not adopted the Medicaid option that can expand coverage to all poor pregnant women and young children.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

Moreover, Wisconsin has no state benefit standards for cash assistance to low-income single individuals and childless couples who are neither elderly nor disabled, making the level of such assistance entirely dependent on county decisions. Nonelderly, nondisabled single individuals and childless couples who are poor are also unlikely to receive health care coverage.

Finally, low-income households in Wisconsin are confronted with a serious low-rent housing shortage; in 1985, the number of very low-income renter households was nearly double the number of available very low-rent units.

These and other aspects of the Wisconsin safety net will be discussed in this report.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Wisconsin below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Wisconsin does not index benefits to inflation.

In Wisconsin:

- In 1987, a single parent with two children, and with no income, was eligible for a maximum AFDC cash benefit of $549 per month, or $6,588 per year.[2] This AFDC benefit equaled 72.6 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

  However, benefit levels were *cut* for 1988. In 1988, the maximum AFDC benefit for a three-person family equals $517 a month, or 65.6 percent of the estimated 1988 poverty line.

- The 1987 AFDC benefit level for a family of three ranked fifth out of all states.[3] The 1988 level ranks eighth.

- In 1987, the maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equaled $143 per month. At most, AFDC and food stamp benefits combined could equal 91.5 percent of the poverty line.[4] (This percentage will drop in 1988 because of the cutback in AFDC benefits.) Most, but not all, AFDC beneficiaries receive food stamps.

- For a family of three without any income, 1988 AFDC benefit payments equal only 79.9 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.)

- For a single-parent family of *four* without any income, maximum AFDC benefits in 1987 were $7,872 per year, which equaled 67.7 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987). However, these benefits also were cut back for 1988, to $7,404 a year or just 61.0 percent of the estimated four-person poverty line.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for

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2. Benefit levels are for urban areas.

3. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

4. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

AFDC even though she has income below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Wisconsin who incurred deductible child care costs of $106 a month,[5] earnings of $750 a month in 1987 -- equal to 99.2 percent of the poverty line -- meant the loss of all AFDC benefits after the fourth month she held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Wisconsin:

- For a single mother with two children who did *not* get a child care deduction, earnings of just $644 a month in 1987 -- equal to 85.2 percent of the poverty line -- meant the loss of all AFDC benefits after the fourth month she held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Wisconsin provides AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- Wisconsin has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

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5. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

6. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986, some 15.8 percent of the AFDC caseload in Wisconsin consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[7]

In Wisconsin:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[8]

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7. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

8. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In

- Wisconsin supplements the basic federal SSI grant by $102 a month for an individual and $164 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 97.2 percent of the poverty line for an individual and 117.5 percent for a couple.

- The value of the state supplement, after adjustment for inflation, *declined* by 36.7 percent for an individual and 35.3 percent for a couple from 1974 (the year SSI started) to 1987.

- SSI recipients are not eligible for food stamps because they have been "cashed out"; that is, Wisconsin's SSI supplement has been specifically increased so as to include the value of food stamp benefits.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Wisconsin:

- Counties are required by state law to have general assistance programs that serve needy people. These programs must conform to state policy, but there are no statewide benefit standards.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8

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inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many such two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Wisconsin extends Medicaid coverage to all income-eligible children under 18 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Wisconsin, a family of three with a monthly countable income of less than $641, after deducting medical expenses, is eligible for Medicaid.[9] This income eligibility limit is equal to 84.8 percent of the poverty line for a family of three.

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9. The figures cited are for 1987. In January 1988, Wisconsin's Medically Needy three-person income eligibility limit was $689 a month, or 7.5 percent above the 1987 figure. Therefore, unless inflation is unexpectedly high in 1988, the income limit as a percentage of the poverty line should also increase. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Wisconsin does *not* have a SOBRA program, leaving some pregnant women and young children from poor families without Medicaid coverage.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Wisconsin covered 26 out of 32 possible optional Medicaid services for many Medicaid households. Among the services *not* covered by the Medicaid program in Wisconsin was podiatry services.

- However, for households that received Medicaid coverage under the Medically Needy program, coverage was much more limited. Only 12 options were covered. Additional services and care not covered for

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10. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

11. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

Medically Needy households included dental services, eyeglasses, and emergency hospital services.

Elderly and Disabled

In most states, including Wisconsin, all of the elderly and disabled who receive SSI payments are eligible for Medicaid.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Wisconsin has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $441, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 97.0 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Wisconsin has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option. However, because of the strength of other assistance programs, relatively few additional elderly and disabled people would be covered by Medicaid if Wisconsin adopted this provision.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Wisconsin does not pay for certain services to the elderly in mental institutions.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Wisconsin.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Wisconsin:

- Some 35.3 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Wisconsin ranked 22nd among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 52.2 percent of the unemployed in Wisconsin received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Wisconsin:

- Average unemployment insurance benefits equaled 43.5 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of

course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Wisconsin, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	40.8%
Corporation net income	7.4
General sales	28.1
Selective sales	14.4
License	5.2
Other taxes	4.1

As the table indicates, Wisconsin collects 48.2 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the

poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes.

In Wisconsin:

- A two-parent family of four will begin to owe income taxes when its income reaches $10,800, which is 88.3 percent of the estimated 1988 poverty line.

While some poor households pay state income tax, sales tax burdens for poor households in most states are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Wisconsin:

- The sales tax rate was 5.0 percent in 1987.
- Some 28.1 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Wisconsin:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Wisconsin does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and

administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Wisconsin has a circuitbreaker program.[12]
- Homeowners and renters of all ages are eligible for the program.
- The average annual benefit from the circuitbreaker in Wisconsin was $370 in 1985, and benefits could be extended to households with incomes up to $16,500.
- However, because the Wisconsin circuitbreaker program does not appear to be well-publicized among low-income households who are not elderly or disabled, program participation by these groups is low.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

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12. Circuitbreaker information is from 1985.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 67,385 renter households in Wisconsin received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in Wisconsin totalled 193,200. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 34.9 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 34.9 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low income renter households substantially exceeds the number of very low-rent units in most states.[13] In Wisconsin:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 97.0 percent. This represented a shortage of 73,671 very low-rent units.

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13. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Wisconsin's share of the federal LIHEAP appropriation equaled 25.6 percent of the estimated total heating and cooling costs[14] of all low-income households in Wisconsin which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

Wisconsin has adopted an Energy Assistance Program (EAP), but it is a pilot program, operating only in Polk and Kenosha counties.

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14. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Wisconsin, an estimated 49.2 percent of those who are eligible are served under the federally-funded WIC program.[15]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Wisconsin supplements the WIC program, bringing the overall percentage of WIC eligibles who were served in June 1987 to 52.4 percent.

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15. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the perc ntage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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COLORADO

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

Spring 1988

Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

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PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Colorado Highlights

Estimated poverty rate, 1985	10.3%
Estimated number of poor, 1985	333,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	45.8%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	72.8%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	55.7%
Percentage of unemployed receiving unemployment insurance, 1986	26.7%
Percentage of state tax revenue from individual and corporate income tax, 1986	45.8%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no	28
AFDC emergency assistance	no	26
SSI state supplement	yes	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	no	32
Medicaid "SOBRA" option		
Pregnant women and children	no	25
Elderly and disabled	no	4
Medicaid Medically Needy program	no	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	no	10
Covers renters	yes	25

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*Data are from 1987, except where otherwise noted.

COLORADO

An estimated 10.3 percent of the population of Colorado, or 333,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Colorado, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of benefits that leaves them below the poverty line.

Colorado's safety net for poor households is weaker than those of a majority of other states. Colorado's AFDC benefit levels are low, ranking 29th in the nation, despite the fact that Colorado ranks 13th in the nation in per capita income.[2] The maximum AFDC benefit for a mother and two children with no

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985 the national poverty rate was 14.0 percent.

2. The per capita income ranking used here is based on 1987 data. The Center's companion report, *Holes in the Safety Nets -- National Overview*, used 1986 data, the latest available at the time it was prepared. In 1986, Colorado ranked 12th.

other income equals less than half (45.8 percent) of the poverty line. The combined value of maximum AFDC and food stamp benefits in Colorado still leaves a family with no other income several thousand dollars below the poverty line. AFDC benefits levels in Colorado have fallen far behind inflation in recent years. The benefit for a family of four with no other income has dropped 38.8 percent since 1970, after adjusting for inflation.

In addition, Colorado has elected not to provide AFDC benefits to poor two-parent families. There also is no state general assistance program for poor single individuals or childless couples who are not elderly or disabled; while some counties have a general assistance program, other counties do not.

Colorado is one of just seven states in the nation that does not currently offer any of four key Medicaid options that provide health coverage to members of poor families with children who do not receive AFDC benefits or to elderly and disabled people who do not receive SSI. Twenty-five states extend Medicaid coverage to pregnant women and infants who live in families with incomes up to the poverty line, but Colorado does not. Colorado's Medicaid income eligibility limit is set at just 55.7 percent of the poverty line, making many families with incomes that are well below the poverty line -- including those with pregnant women and infants -- ineligible for health care coverage. Moreover, unlike most states, Colorado has chosen not to provide Medicaid to poor households whose high medical expenses reduce their incomes to levels that make them poorer than households receiving AFDC or SSI. Finally, the adults in two-parent families and many of their children are ineligible for Medicaid, no matter how poor they are.

Only about one of every four unemployed people receive unemployment insurance benefits in Colorado. Unemployed people who either do not qualify for or have exhausted unemployment benefits are ineligible for any cash assistance whatsoever in some parts of Colorado unless they are single parents or elderly or disabled people. They are also unlikely to receive health care coverage.

In a positive step, Colorado recently raised its income tax threshold to $12,800 for a family of four, a threshold which is more than double that of 1986 and which is above the estimated 1988 poverty line. Local property taxes, however, remain burdensome to Colorado families in poverty. The state "circuitbreaker" program extends property tax relief only to low-income elderly and disabled households, excluding other low-income households, including families with children.

These and other aspects of the Colorado safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assist ce for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Colorado well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Colorado does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Colorado:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $346 per month, or $4,152 per year. This AFDC benefit equals 45.8 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 29th out of all states.[3]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $204 per month. At most, AFDC and food stamp benefits combined can equal 72.8

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3. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

percent of the poverty line.[4] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a family of three without any income, AFDC benefit payments equal only 82.2 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.) Colorado last raised its need standard in 1984.

- For a single-parent family of *four* without any income, maximum AFDC benefits are $5,040 per year, which equals 43.3 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 38.8 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Colorado who incurs deductible child care costs of $106 a month,[5] earnings of $620 a month -- equal to 82.0 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Colorado:

- For a single mother with two children who does *not* get a child care deduction, earnings of $514 a month -- equal to 68.0 percent of the

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4. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

5. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Colorado does not provide AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- Colorado does *not* have an AFDC-UP program.

Since there is no AFDC-UP program in Colorado, two-parent families with an unemployed primary earner are ineligible for cash assistance, other than unemployment insurance benefits, which are available only to a minority of the unemployed. (In some states, the general assistance program does offer aid to two-parent families, but two-parent families are typically excluded from such aid.)

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same for all states.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

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6. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[7] Moreover, even though Colorado supplements SSI, the combined SSI assistance is insufficient to lift elderly and disabled individuals out of poverty (the supplement does lift couples out of poverty).

In Colorado:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[8]

- Colorado supplements the basic federal SSI grant by $58 a month for an individual and $116 a month for a couple.[9] Together, the maximum federal and state supplemental SSI grants equal 87.6 percent of the poverty line for an individual and 109.2 percent for a couple.

- The value of the state supplement, after adjustment for inflation, remained essentially the same for an individual, but declined by 58.0 percent, or nearly three-fifths, for a couple from 1974 (the year SSI started) to 1987.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household

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7. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

8. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

9. The supplements discussed here are for elderly households. The supplements for disabled households are much lower, equal to only $4 for an individual and $8 for a couple in Colorado.

qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $25 per month for an individual and $29 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 93.0 percent of the poverty line for individuals and 114.1 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Colorado:

- There are no state standards for the provision of general assistance. Counties can establish their own programs but are subject to no requirements to provide any particular minimum level of assistance or to meet any minimum coverage standards. Some counties provide little or no assistance.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible

for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program with the federal government, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though Colorado does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- Colorado does not provide Medicaid coverage to two-parent families who meet its AFDC income eligibility requirements.

Poor children and pregnant women from families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Colorado extends Medicaid coverage only to some income-eligible children under 21 years of age. It is one of 19 states that has chosen to restrict this coverage to small groups of children, such as those in foster care.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Colorado is one of 14 states that does *not* have a Medically Needy program. Consequently, in Colorado the Medicaid income eligibility limit is the same as the AFDC income eligibility limit, which is 55.7 percent of the three-person poverty level.

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher

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10. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Colorado does not have a SOBRA program, leaving large numbers of pregnant women and young children from poor families without Medicaid coverage.

Colorado is one of only seven states that has adopted *none* of the four key Medicaid options described above: coverage of two-parent families, coverage of Ribicoff children, a Medically Needy program, and SOBRA coverage of pregnant women and young children. In contrast, forty-one states have adopted two or more of these options.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Colorado covered 16 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Services *not* covered by the Medicaid program in Colorado included occupational therapy and care for speech, hearing and language disorders.

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11. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

Elderly and Disabled

In most states, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Moreover, recipients of the federal SSI grant are automatically eligible for Medicaid, but for people who receive just the SSI supplement, Colorado has chosen to provide automatic eligibility only to those who are elderly, and not to those who are disabled.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Colorado does not have a Medically Needy program for the low-income elderly and disabled.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Colorado has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Colorado does not pay for items and services such as prosthetic devices, dentures, and physical therapy.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Colorado.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Colorado:

- Only 26.7 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Colorado ranked 39th among all states by this measure.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Colorado:

- Average unemployment insurance benefits equaled 40.7 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

The low level of unemployment insurance coverage in Colorado is of particular significance for poor individuals and families given the absence of an AFDC-UP program for two-parent families and the absence of a state general cash assistance program (there are county-based general cash assistance programs). As a result, in households without an elderly or disabled person, unemployed single people as well as childless couples or two-parent families with an unemployed worker are unlikely to receive government cash assistance, no matter how poor they are.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Colorado, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	40.8%
Corporation net income	5.0
General sales	31.4
Selective sales	14.4
License	6.1
Other taxes	2.3

As the table indicates, Colorado collects 45.8 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes.

In Colorado:

- A two-parent family of four will begin to owe income taxes when its income reaches $12,800 (a level just above the estimated 1988 poverty line for a family of four).

For poor households in most states, sales tax burdens are heavy. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Colorado:

- The sales tax rate was 3.0 percent in 1987.[12]

- 31.4 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Colorado:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Colorado does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around

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12. In addition to the state sales tax of 3.0 percent, some counties and cities also have sales taxes. For example, Denver has a sales tax of 4.1 percent and Pueblo has a sales tax of 3.5 percent, bringing the total state and local sales tax in those areas to 7.1 percent and 6.5 percent respectively.

the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Colorado has a circuitbreaker program.[13]
- However, the circuitbreaker is limited to elderly or disabled homeowners and renters, thus failing to assist the nonelderly and nondisabled.
- The average annual benefit from the circuitbreaker in Colorado was $271 in 1985, and benefits could be extended to households with incomes up to $11,200.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental

13. Circuitbreaker information is from 1985.

housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 39,605 renter households in Colorado received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number of just "very low-income" renter households residing in Colorado totalled 159,850. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 24.8 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 24.8 percent figure -- as small as it is -- overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[14] In Colorado:

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14. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by *125.6 percent*. This represented a shortage of 59,727 low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Colorado's share of the federal LIHEAP appropriation equaled 32.3 percent of the estimated total heating

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renter household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

and cooling costs[15] of all low-income households in Colorado which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Colorado, an estimated 51.7 percent of those who are eligible are served under the federally-funded WIC program.[16]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Colorado does not supplement the WIC program.

Colorado is one of 14 states that has a federally funded Commodity Supplemental Food Program which has a target population similar to that of WIC. The CSFP program serves 15,195 participants. (The WIC participation rate mentioned above accounted for these CSFP participants. CSFP participants are ineligible for the WIC program, so the Center adjusted USDA's 1984 WIC eligible pool by subtracting out CSFP participants who otherwise meet WIC eligibility criteria.)

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15. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

16. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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DISTRICT OF COLUMBIA

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state and local tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states or the District of Columbia in recent months. As the reports indicate, the gaps in the safety nets often remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

District of Columbia Highlights

Estimated poverty rate, 1986	17.4%
Estimated number of poor, 1986	104,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	48.1%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	74.4%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	64.2%
Percentage of unemployed receiving unemployment insurance, 1986	36.9%
Percentage of local tax revenue from individual and corporate income tax, 1986	34.7%

Optional programs*	D.C. has program?	Number of states with program**
AFDC-UP	yes	28
AFDC emergency assistance	yes	26
SSI supplement	yes	27
Local general assistance	yes	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	yes	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	yes	10
Covers renters	yes	25

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*Data are from 1987, except where otherwise noted.

**The District of Columbia is counted as a state in these totals.

DISTRICT OF COLUMBIA

An estimated 17.4 percent of the population of the District of Columbia, or 104,000 people, lived in poverty in 1986.[1] This is one of the highest poverty rates of any jurisdiction in the country. This report focuses on the role of the District government in fashioning benefit programs to assist these people, as well as District tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the District of Columbia. Nor does it emphasize changes in District policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the District's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

Many of those who are poor in the District of Columbia receive government assistance. But their eligibility and the level of assistance are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of aid that leaves them below the poverty line.

Although the District of Columbia has adopted most of the options that federal law makes available in federally-assisted programs to aid the poor, sizable holes in the safety net remain.

The maximum AFDC benefit for a family of three equals less than half (48.1 percent) of the poverty line. If food stamps are counted as income and added in, the maximum combined AFDC and food stamp benefit equals only about three-fourths (74.4 percent) of the poverty line. Compared to the 50 states, the

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1. The 1986 poverty figures were calculated by the Greater Washington Research Center based on U.S. Census Bureau data. They are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. The national comparison report includes 1985 poverty data calculated by researchers at the Institute for Research on Poverty at the University of Wisconsin-Madison, based on Census data. The 1985 estimates are the most recent for all the states and the District of Columbia.

District ranks 23rd in the nation in AFDC benefit levels, despite the fact that its per capita income is higher than that of every state except Connecticut.

In addition, for all members of a three-person family with children to be eligible for Medicaid the family must have income (after medical expenses and some limited deductions) less than 64.2 percent of the poverty line. In a positive step, however, the District has adopted the new option that extends Medicaid coverage to pregnant women and young children who live in families with incomes up to the poverty line.

General cash assistance goes only to the disabled, leaving low-income single individuals and childless couples who are not disabled or elderly without cash aid. These types of households are also unlikely to receive health care coverage.

The problems that can be caused by the lack of a broader general assistance program are compounded by the fact that only 36.9 percent of the unemployed received unemployment insurance in 1986.

The elderly and disabled poor may receive Supplemental Security Income benefits, but because the District's SSI supplement is low, benefit levels remain below the poverty line. Twenty-one states supplement SSI benefits for their poor elderly and disabled citizens more than the District does. The SSI supplement for an individual in the District is $15 a month.

The District recently took another positive step when it reformed its income tax to remove many working poor families from the tax rolls. It raised the income tax threshold for a family of four of $4,000 in 1986 by more than three-fold. The 1988 threshold is $12,800.

Perhaps the most serious problem in the District's safety net is the lack of sufficient low income housing. The number of very low-income renters is *more than three times* the number of very low-rent units.

These and other aspects of the District's safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this

difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) to two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

The District of Columbia is considered and is often referred to as a state in this analysis.

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in the District of Columbia well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Even though the District of Columbia now indexes benefits to inflation, the value of its AFDC benefits has declined markedly since 1970.

In the District of Columbia:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $364 per month, or $4,368 per year. This AFDC benefit equals 48.1 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 23rd out of all states. (State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51.")

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $199 per month. At most, AFDC and food stamp benefits combined can equal

74.4 percent of the poverty line.[2] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a family of three without any income, AFDC benefit payments equal only 51.1 percent of the District's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $5,292 per year, which equals 45.5 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost-of-living. For example, the maximum benefit for a four-person family fell 36.5 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in the District of Columbia who incurs deductible child care costs of $106 a month,[3] earnings of $565 a month -- equal to 74.7 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In the District of Columbia:

- For a single mother with two children who does *not* get a child care deduction, earnings of only $459 a month -- equal to 60.7 percent of

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2. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

3. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- The District of Columbia provides AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[4] Some 28 states have such a program (known as "AFDC-UP").

- The District of Columbia has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986 only 1.0 percent of the AFDC caseload in the District of Columbia consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

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4. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[5] Moreover, even though the District of Columbia supplements SSI, the combined SSI assistance is insufficient to lift elderly and disabled individuals out of poverty.

In the District of Columbia:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[6]

- The District of Columbia supplements the basic federal SSI grant by $15 a month for an individual and $30 a month for a couple. Together, the maximum supplemental SSI grants equal 78.1 percent of the poverty line for an individual and 94.2 percent for a couple.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $38 per month for an individual and $54 per month for a couple.

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5. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

6. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 86.4 percent of the poverty line for individuals and 103.6 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In the District of Columbia:

- There is a general assistance program but it serves only disabled persons. Thus nondisabled, nonelderly singles and childless couples who are poor are left without any cash assistance (unless they are receiving unemployment insurance).

- For a disabled household without any income, the monthly benefits are $239 for one person or $298 for a two-person household, which are equal to 48.3 percent and 49.6 percent of the respective poverty lines for these households.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States

share in the cost of the Medicaid program with the federal government, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children and pregnant women from families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- The District of Columbia extends Medicaid coverage to all income-eligible children under 21 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in the District of Columbia, a family of three with a monthly countable income of less than $485, after deducting medical expenses, is eligible for Medicaid. This income eligibility limit is equal to 64.2 percent of the poverty line for a family of three.

Another key option is the **SOBRA**[7] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

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7. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[8]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.[9]

- The District of Columbia has a SOBRA program, with an eligibility limit equal to the federal poverty level.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, the District of Columbia covered 25 out of 32 possible optional Medicaid services. Important services *not* covered by the Medicaid program in the District of Columbia included dental and chiropractic services.

The provisions of the Medicaid program in the District of Columbia are especially noteworthy because in 1985 its infant mortality rate was 20.8 per thousand births, which was nearly double the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

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8. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

9. Prenatal care is available at clinics in the District of Columbia for all pregnant women with family incomes less than 185 percent of the federal poverty level who are not eligible for Medicaid and do not have other insurance coverage.

Elderly and Disabled

In most states and in the District of Columbia, nearly all of the elderly and disabled who receive SSI payments are eligible for Medicaid.[10] However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- The District of Columbia has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $362, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 79.6 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- The District of Columbia has adopted Medicaid coverage for the elderly and disabled under the SOBRA option, with an eligibility limit equal to the federal poverty line.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in the District of Columbia does not pay for items such as dentures.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or city programs for the indigent. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in the District of Columbia.

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10. Recipients of just the District's SSI supplement are not automatically eligible for Medicaid because of this status, but do receive coverage under SOBRA (see below).

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In the District of Columbia:

- 36.9 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- The District of Columbia ranked 17th among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 44.6 percent of the unemployed received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In the District of Columbia:

- Average unemployment insurance benefits equaled 34.6 percent of the average weekly wages of workers covered by unemployment

insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In the District of Columbia, local tax revenues in 1986 were generated from the following sources.

Individual income	25.9%
Corporation net income	8.8
General sales	21.0
Selective sales	9.7
License	2.2
Property	28.2
Other taxes	4.2

As the table indicates, the District of Columbia collects just 34.7 percent of its revenue through its individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the

poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes.

In the District of Columbia:

- A two-parent family of four will begin to owe income taxes when its income reaches $12,800 (which is above the estimated 1988 poverty line). This high threshold reflects a sharp increase from the 1986 threshold of $4,000.

For poor households in most states, sales tax burdens are heavy. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In the District of Columbia:

- The sales tax rate was 6.0 percent in 1987. In the typical state with a general sales tax, the sales tax rate was five percent.

- 21.0 percent of all revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In the District of Columbia:

- Utilities were *not* exempt from taxation; food was exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- The District of Columbia does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government. In the District of Columbia, 28.2 percent of local revenues was collected through the property tax.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all

low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states).

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- The District of Columbia has a circuitbreaker program.[11]
- All age groups and both homeowners and renters are eligible for the circuitbreaker.
- The average annual benefit from the circuitbreaker in the District of Columbia was $288 in 1985, and benefits could be extended to households with incomes up to $20,000.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically

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11. Circuitbreaker information is from 1985.

provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 28,131 renter households in the District of Columbia received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in the District of Columbia totalled 69,330. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 40.6 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 40.6 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[12] In the District of Columbia:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by a staggering 213.1 percent. This represented a shortage of 31,679 very low-rent units.

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12. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, the District of Columbia's share of the federal LIHEAP appropriation equaled only 18.8 percent of the estimated total heating and cooling costs[13] of all low-income households in the District of Columbia which were potentially eligible for assistance under federal guidelines. This percentage is expected to be even lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

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13. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In the District of Columbia, an estimated 78.1 percent of those who are eligible are served under the federally-funded WIC program.[14]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- The District of Columbia supplements the WIC program, but participation figures for the supplemental program are unavailable.

The District of Columbia has a federally funded Commodity Supplemental Food Program which has a target population similar to that of WIC. (The WIC participation rate mentioned above did account for these CSFP participants. CSFP participants are ineligible for the WIC program, so the Center adjusted USDA's 1984 WIC eligible pool by subtracting out CSFP participants who otherwise meet WIC eligibility criteria.) The CSFP program in the District serves 5,858 participants.

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14. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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FLORIDA

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Florida Highlights

Estimated poverty rate, 1985	13.4%
Estimated number of poor, 1985	1,523,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	34.9%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	65.1%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	47.5%
Percentage of unemployed receiving unemployment insurance, 1986	18.3%
Percentage of state tax revenue from individual and corporate income tax, 1986	5.3%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no	28
AFDC emergency assistance	no	26
SSI state supplement	no	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	yes	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	no	31

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*Data are from 1987, except where otherwise noted.

FLORIDA

An estimated 13.4 percent of the population of Florida, or 1,523,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For who are poor in Florida, eligibility for government assistance and the level of benefits they receive are dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance are unlikely to receive a level of aid that lifts them to the poverty line.

The safety net for Florida's poor people is weaker than that in most other states in the nation. Florida's level of AFDC cash assistance to single-parent families ranks 39th among all states and the District of Columbia, despite the fact that Florida ranks 19th in per capita income.[2] Maximum AFDC benefits for a mother and two children with no other income equal just 34.9 percent of the poverty line.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985 the national poverty rate was 14.0 percent.

2. The per capita income ranking used here is based on 1987 data. The Center's companion report, Holes in the Safety Nets -- National Overview, used 1986 data, the latest available at the time it was prepared.

In addition, Florida elects not to provide AFDC to poor two-parent families with children and has no general assistance program for poor single individuals and childless couples who are not elderly or disabled. Florida also elects not to participate in the AFDC Emergency Assistance program, which some states use on a limited basis to provide aid to the homeless.

The elderly and disabled poor receive only the basic federal SSI grant, which leaves them below the poverty line. Twenty-seven states have chosen to supplement the federal SSI benefit to bring the elderly and disabled poor closer to or above the poverty line; Florida is not one of these states.

In 1986, only 18.3 percent of Florida's unemployed received unemployment insurance benefits, the second lowest rate of any state. Since, as noted, Florida does not provide AFDC benefits to poor two-parent families or general assistance benefits to poor single individuals or childless couples, this means that many unemployed households in Florida (including those who are looking for work but have exhausted their unemployment benefits) are ineligible for any form of cash assistance despite their poverty.

Many of the poor in Florida are not eligible for Medicaid. For all members of a three-person family to be eligible for Medicaid, the family must have income (after medical expenses and some limited deductions) of less than half the poverty line.

On the other hand, Florida has recently taken two positive steps affecting the health care of pregnant women and young children. Florida has adopted the new option that extends Medicaid coverage to pregnant women and young children who live in families with incomes up to the poverty line. The state has also instituted a new infant formula purchasing procedure under its WIC program that should permit program participation to expand.

These and other aspects of the state safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Florida well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Florida does not index benefits to inflation, and the value of its AFDC benefits has declined over time.

In Florida:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $264 per month, or $3,168 per year. This AFDC benefit equals 34.9 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 39th out of all states.[3]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $228 per month. At most, AFDC and food stamp benefits combined can equal 65.1 percent of the poverty line.[4]

  However, nearly one of every four AFDC households in Florida does not receive food stamps. Florida's food stamp participation rate for AFDC

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3. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

4. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

households is the eighth lowest in the nation, according to a recent report by the U.S. General Accounting Office.

- For a family of three without any income, AFDC benefit payments equal only 34.1 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $3,744 per year, which equals 32.2 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 20.3 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Florida who incurs deductible child care costs of $106 a month,[5] earnings of $465 a month -- equal to 61.5 percent of the poverty line -- means the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Florida:

- For a single mother with two children who does *not* get a child care deduction, earnings of only $359 a month -- equal to 47.5 percent of the poverty line -- means the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families

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5. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Florida does not provide AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- Florida does *not* have an AFDC-UP program.

Since there is no AFDC-UP program in Florida, two-parent families with an unemployed primary earner are ineligible for cash assistance, other than unemployment insurance benefits, which are available only to a minority of the unemployed.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same for all states.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[7]

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6. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

7. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as nursing homes).

In Florida:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[8] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.

- Florida does *not* supplement the basic federal SSI grant.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be

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8. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Florida:

- There is no general assistance program, thus leaving nondisabled, nonelderly singles and childless couples who are poor without *any* cash assistance (unless they are receiving unemployment insurance).

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on

scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though Florida does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- Florida provides Medicaid coverage to two-parent families with an unemployed primary worker who meet its AFDC income eligibility requirements.

Poor children and pregnant women from families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Florida extends Medicaid coverage to all income-eligible children under 18 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Florida, a family of three with a monthly countable income of less than $359, after deducting medical expenses, is eligible for Medicaid.[9] This income eligibility limit is equal to 47.5 percent of the poverty line for a family of three. (Florida's Medically Needy program is now scheduled to expire in October 1988. Extension of the program is under consideration.)

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

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9. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

10. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

11. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Florida has a SOBRA program, with an income eligibility limit equal to the federal poverty level.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Florida covered 17 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Services *not* covered by the Medicaid program in Florida included occupational and physical therapy.

The provisions of the Medicaid program in Florida are especially noteworthy because in 1985 the state infant mortality rate was 11.3 per thousand births, which was above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, including Florida, virtually all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Florida has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $275, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 60.5 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to all elderly and disabled people in poverty.

- Florida has adopted Medicaid coverage for the elderly and disabled under the SOBRA option, but set an income eligibility limit equal to 90

percent of the poverty line. (Florida could have set this limit up to the poverty line.)

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Florida does not pay for services such as private duty nursing and certain services for those aged 65 or older in mental institutions.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Florida.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Florida:

- Only 18.3 percent of the unemployed, fewer than one of every five, received unemployment insurance benefits in an average month in 1986.
- Florida ranked 50th among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 23.7 percent of the unemployed in Florida received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Florida:

- Average unemployment insurance benefits equaled 37.3 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

The low level of unemployment insurance coverage in Florida is of particular significance for poor individuals and families given the absence of an AFDC-UP program for two-parent families and the absence of any general cash assistance program. As a result, in households without an elderly or disabled person, unemployed single people as well as childless couples or two-parent families with an unemployed worker are unlikely to receive cash assistance from *any* level of government, no matter how poor they are.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This

is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Florida, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	0%
Corporation net income	5.3
General sales	55.1
Selective sales	22.3
License	6.8
Other taxes	10.4

As the table indicates, Florida is one of only 10 states without a broad-based individual income tax and collects just 5.3 percent of its revenue from the corporation net income tax. This minimal reliance on income taxes usually makes a state tax system significantly more regressive and increases overall tax burdens on low-income people.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Florida:

- The sales tax rate was 5.0 percent in 1987.
- More than half, or 55.1 percent, of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Florida:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Florida does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Florida does *not* have a circuitbreaker program.[12]

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12. Circuitbreaker information is from 1985.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 134,471 renter households in Florida received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in Florida totalled 587,050. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 22.9 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 22.9 percent figure -- as small as it is -- overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the

number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[13] In Florida:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by *126.2 percent*. This represented a shortage of 188,771 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide

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13. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Florida's share of the federal LIHEAP appropriation equaled only 9.1 percent of the estimated total heating and cooling costs[14] of all low-income households in Florida which were potentially eligible for assistance under federal guidelines. This percentage is expected to be even lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Florida, only an estimated 39.5 percent of those who are eligible are served under the federally-funded WIC program.[15]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Florida does not supplement the WIC program.

Florida has recently instituted new procurement methods that are reducing the cost of the infant formula provided through its WIC program so that WIC dollars can be stretched further and more of those who are eligible can be reached. Moreover, modifications in these new procurement methods, which Florida is now in the process of implementing, will markedly increase these savings and substantially boost the number of additional participants that can be served. Florida is one of the leaders in the nation in measures to reduce WIC infant formula costs.

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14. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

15. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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GEORGIA

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Georgia Highlights

Estimated poverty rate, 1985	17.7%
Estimated number of poor, 1985	1,058,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	34.8%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	64.9%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	46.3%
Percentage of unemployed receiving unemployment insurance, 1986	25.1%
Percentage of state tax revenue from individual and corporate income tax, 1986	48.1%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no	28
AFDC emergency assistance	yes	26
SSI state supplement	no	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	no**	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Families with children	yes	36
Elderly and disabled	no	34
Property tax circuitbreaker, 1985	no	31

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*Data are from 1987, except where otherwise noted.

**The state legislature recently passed a law that will implement this option in January 1989.

GEORGIA

An estimated 17.7 percent of the population of Georgia, or 1,058,000 people, lived in poverty in 1985,[1] making Georgia one of the poorest states in the nation. This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Georgia, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance are unlikely to receive a level of aid that lifts them to the poverty line.

The safety net for poor people in Georgia is weaker than in most other states in the nation. Although Georgia increased its maximum AFDC benefit level for a family of three by 14 percent from 1986 to 1987, after adjusting for inflation, it was so low to begin with that the level of AFDC cash assistance to single-parent families ranks 41st among all states and the District of Columbia. In 1987, AFDC benefits for a mother and two children with no other income equalled $263 a month, or only 34.8 percent of the poverty line. In addition, Georgia has elected not to provide AFDC benefits to poor families with children

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985 the national poverty rate was 14.0 percent.

in which both the father and mother are present. Some counties lack a general assistance program for poor single individuals or childless couples.

Medicaid eligibility is also limited. A family with children must have income (after medical expenses and some limited deductions) that falls below half of the poverty line before the family can be eligible for Medicaid coverage. Poor individuals and childless couples who are neither elderly nor disabled are generally ineligible for health care coverage.

In a positive step, state legislation was recently passed that adopts the new option extending Medicaid coverage to pregnant women and young children who live in families with incomes up to the poverty line. This option will be implemented in January 1989.

Elderly and disabled poor people receive the basic federal SSI grant, but this leaves them below the poverty line. Twenty-seven states supplement the federal SSI benefit to bring the elderly and disabled poor closer to or above the poverty line. Georgia is not one of these states.

Unemployment insurance coverage is restrictive. Only one in four (25.1 percent) unemployed Georgia workers received unemployment insurance in 1986. Many poor unemployed workers who either do not qualify for or have exhausted unemployment benefits are ineligible for any cash assistance unless they are single parents.

While providing limited assistance to low-income families, Georgia imposes significant tax burdens on many of them. Although Georgia raised its income tax threshold substantially in 1987, thereby reducing the burdens of the state income tax on poor households, other aspects of its tax system remain regressive. Georgia is one of only three states in the nation that fails to exempt either food or utilities from the sales tax or to provide a sales tax rebate to poor households. Unlike 31 other states, Georgia also lacks a property tax relief program for low-income households.

These and other aspects of the Georgia safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent

families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Georgia well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Georgia does not index benefits to inflation, and the value of its AFDC benefits has declined over time.

In Georgia:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $263 per month, or $3,156 per year. This AFDC benefit equals 34.8 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 41st out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $228 per month. At most, AFDC and food stamp benefits combined can equal 64.9 percent of the poverty line.[3]

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

However, more than one of every five AFDC households in Georgia does not receive food stamps. Georgia's food stamp participation rate for AFDC households is the tenth lowest in the nation, according to a recent report by the U.S. General Accounting Office.[4]

- For a family of three without any income, AFDC benefit payments equal only 71.9 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.) Georgia last raised its need standard in 1982, although the cost of living increased 18 percent from 1982 to 1987.

- For a single-parent family of *four* without any income, maximum AFDC benefits are $3,720 per year, which equals 32.0 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 20.2 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Georgia who incurs deductible child care costs of $106 a month,[5] earnings of $464 a month -- equal to 61.4 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Georgia:

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4. The GAO reported that 78.3 percent of AFDC households in Georgia received food stamps in fiscal year 1986, while 21.7 percent -- or 18,207 AFDC households -- did not. Households in which all members are covered by an AFDC grant are automatically eligible for food stamps. Some 88.8 percent of these AFDC households received food stamps in Georgia, but 11.2 percent -- or 4,824 households -- did not.

5. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

- For a single mother with two children who does *not* get a child care deduction, earnings of only $358 a month -- equal to 47.4 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Georgia provides AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- Georgia does *not* have an AFDC-UP program.

Since there is no AFDC-UP program in Georgia, two-parent families with an unemployed primary earner are ineligible for cash assistance, other than unemployment insurance benefits, which are available only to a minority of the unemployed. (In some states, counties with a general assistance program do offer aid to two-parent families, but two-parent families are typically excluded from such aid.)

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same for all states.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

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6. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant.[7]

In Georgia:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[8] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.

- Georgia does *not* supplement the basic federal SSI grant.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

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7. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as nursing homes).

8. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Georgia:

- There are no state standards for the provision of general assistance. Counties can establish their own programs but are not subject to requirements to provide any particular minimum level of assistance or to meet any minimum coverage standards. Some counties provide little or no assistance.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in

non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though Georgia does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- Georgia provides Medicaid coverage to two-parent families with an unemployed primary earner who meet its AFDC income eligibility requirements.

Poor children and pregnant women from families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Georgia extends Medicaid coverage to all income-eligible children under 18 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a Medically Needy program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Georgia, a family of three with a monthly countable income of less than $350, after deducting medical expenses, is eligible for Medicaid.[9] This income eligibility limit is equal to 46.3 percent of the poverty line for a family of three.

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

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9. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

10. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Georgia currently does not provide SOBRA coverage, leaving large numbers of pregnant women and young children from poor families without Medicaid coverage. (However, the state legislature recently passed legislation that will implement the option in January 1989. In addition, Georgia does have a state program that assists in the provision of care to medically-indigent high-risk women who are not eligible for Medicaid.)

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Georgia covered 13 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Important services *not* covered by the Medicaid program in Georgia included occupational therapy and emergency hospital services.

The restrictiveness of the Medicaid program in Georgia is especially noteworthy because in 1985 the state infant mortality rate was 12.7 per thousand births, which was above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, including Georgia, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

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11. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. They can be covered under a state's **Medically Needy** program.

- Georgia, however, is one of only two states that has a Medically Needy program for low-income families, but not for the elderly and disabled.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Georgia has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Georgia does not pay for services such as diagnostic services and certain services for the elderly in mental institutions.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Georgia.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy

of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Georgia:

- Only 25.1 percent of the unemployed, or one of every four, received unemployment insurance benefits in an average month in 1986.
- Georgia ranked 40th among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 32.4 percent of the unemployed in Georgia received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Georgia:

- Average unemployment insurance benefits equaled 31.2 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

The low level of unemployment insurance coverage in Georgia is of particular significance for poor individuals and families given the absence of an AFDC-UP program for two-parent families and the absence of a state general cash

assistance program. (There are county-based cash assistance programs.) As a result, in many households without an elderly or disabled person, unemployed single people as well as childless couples or two-parent families with an unemployed worker do not receive cash assistance from any level of government, no matter how poor they are.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Georgia, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	39.6%
Corporation net income	8.5
General sales	33.4
Selective sales	14.2
License	3.1
Other taxes	1.2

As the table indicates, Georgia collects 48.1 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

Georgia recently raised its income tax threshold, but some poor households still pay state income taxes.

- A two-parent family of four will begin to owe income taxes when its income reaches $9,000, which is 73.6 percent of the estimated 1988 poverty line. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Georgia:

- The sales tax rate was 3.0 percent in 1987.

- 33.4 percent of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Georgia:

- Food and utilities were *not* exempt from taxation. (There is one notable exception. By federal law, purchases made with food stamps are exempt from the sales tax.)

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Georgia does not have a sales tax credit.

Georgia is one of only three states with a sales tax that does not offset the burden of the sales tax on the poor by any of the above measures: exempting food or utilities or providing a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Georgia does *not* have a circuitbreaker program.[12]

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

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12. Circuitbreaker information is from 1985.

- In 1985, some 115,297 renter households in Georgia received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in Georgia totalled 337,760. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 34.1 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 34.1 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[13] In Georgia:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 54.4 percent. This represented a shortage of 65,822 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of

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13. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Georgia's share of the federal LIHEAP appropriation equaled only 10.5 percent of the estimated total heating and cooling costs[14] of all low-income households in Georgia which were potentially eligible for assistance under federal guidelines. This percentage is expected to be even lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

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14. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

- In Georgia, an estimated 49.2 percent of those who are eligible are served under the federally-funded WIC program.[15]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Georgia does not supplement the WIC program.

15. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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HAWAII

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Hawaii Highlights

Estimated poverty rate, 1985	10.7%
Estimated number of poor, 1985	112,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	56.5%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	92.9%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	56.5%
Percentage of unemployed receiving unemployment insurance, 1986	37.3%
Percentage of state tax revenue from individual and corporate income tax, 1986	34.3%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	no	26
SSI state supplement	yes	27
Statewide general assistance	yes	25
Full use of Ribicoff option for children	no	32
Medicaid "SOBRA" option		
Pregnant women and children	no	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	no	31

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*Data are from 1987, except where otherwise noted.

HAWAII

An estimated 10.7 percent of the population of Hawaii, or 112,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

Many of those who are poor in Hawaii receive government assistance. But their eligibility and the level of assistance are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of aid that does not lift them out of poverty.

The safety net for poor people in Hawaii contains some large holes. The combined value of AFDC and food stamp benefits leaves a recipient family below the poverty line, in part because AFDC benefits have declined 25.3 percent since 1970, after adjusting for inflation. To be eligible for Medicaid, a three-person family must have income (after medical expenses and some limited deductions) of less than 56.5 percent of the poverty line. Hawaii has not adopted some of the

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent. It also should be noted that the poverty problem in Hawaii is understated because Ross and Danziger followed the Census Bureau procedure of using the same poverty line for all states, even though the cost of living is higher in Hawaii.

key Medicaid options that provide broader coverage to members of needy families that do not receive AFDC benefits, such as options extending coverage to all poor pregnant women and children.

Hawaii's SSI supplements of just $5 a month for an individual and $9 a month for a couple do not lift the elderly and disabled close to the poverty line. Twenty-five of the other 26 states that provide SSI supplements provide larger supplements than does Hawaii, even though the cost of living is higher in Hawaii than in these other states. Indeed, after Hawaii's higher cost of living is taken into account, Hawaii's combined SSI benefit levels turn out to be the lowest of any of the 50 states.

General cash assistance from the state goes only to disabled people, leaving low-income single individuals and childless couples who are neither elderly nor disabled without aid. These types of households are also unlikely to receive health care coverage. In addition, in 1986 only 37.3 percent of the unemployed in Hawaii received unemployment insurance.

These and other aspects of Hawaii's safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Hawaii below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Hawaii does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Hawaii:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $491 per month, or $5,892 per year. This AFDC benefit equals 56.5 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line in Hawaii[2] is $10,429 in 1987).

- This AFDC benefit level for a family of three ranks 10th out of all states.[3]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $316 per month. At most, AFDC and food stamp benefits combined can equal 92.9 percent of the poverty line.[4] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $6,888 per year, which equals 51.5 percent of

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2. In order to adjust for the higher cost of living in Hawaii than in the continental United States, the estimated 1987 poverty line for the United States of $9,069 was inflated by 15 percent to $10,429. Although this approach was not used in calculating the poverty rate in Hawaii, it is used throughout the rest of the analysis in calculating the effect of various poverty policies. An upward adjustment factor of 15 percent for Hawaii is used by the federal government in determining eligibility for some programs.

3. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

4. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

the 1987 poverty line (the estimated four-person poverty line is $13,373 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 25.3 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Hawaii who incurs deductible child care costs of $106 a month,[5] earnings of $692 a month -- equal to 79.6 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Hawaii:

- For a single mother with two children who does *not* get a child care deduction, earnings of only $586 a month -- equal to 67.4 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Hawaii does not provide AFDC emergency assistance.

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5. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- Hawaii has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986, only 5.6 percent of the AFDC caseload in Hawaii consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $444 -- or $1.21 per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[7]

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6. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

7. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those

In Hawaii:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[8]

- Hawaii supplements the basic federal SSI grant, but only by $5 a month for an individual and $9 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 66.0 percent of the poverty line for an individual and 78.7 percent for a couple.

- Even though the cost of living is higher in Hawaii than in the continental United States, among the states that supplement the federal SSI benefit, Hawaii provides the second lowest level. After adjusting for differences in the cost of living, Hawaii's combined federal and state SSI benefit levels are the lowest of all 50 states; that is, its small supplement does not even cover the cost-of-living differential between Hawaii and the continental United States.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $129 per month for an individual and $188 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 90.7 percent of the poverty line for individuals and 107.2 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but

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receiving in-home health care).

8. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. For Hawaii, the estimated 1987 poverty line for an elderly individual is $6,273; for a two-person elderly household, it is $7,914.)

not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Hawaii:

- There is a state general assistance program, but it serves only disabled people aged 55 or over. Thus nondisabled, nonelderly singles and childless couples who are poor are left without any cash assistance (unless they are receiving unemployment insurance).

- For a household without any income, the monthly benefits are $297 for one person or $390 for a two-person household, which are equal to 53.6 percent and 54.9 percent of the respective poverty lines for these households.[9]

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $133 for an individual and $244 for a couple. However, these federal benefit levels are equal to only 24.0 percent and 34.4 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of

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9. In some state programs, the level of general assistance benefits varies by areas within the state; in these instances, benefit levels for the most representative area are cited.

households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children and pregnant women from families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many poor two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Hawaii extends Medicaid coverage only to some income-eligible children.

It is one of 19 states that has chosen to restrict this coverage to small groups of children.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Hawaii, a family of three with a monthly countable income of less than $475, after deducting medical expenses, is eligible for Medicaid.[10]

- However, Hawaii is one of only seven states where the Medically Needy threshold is *lower than* the AFDC income eligibility limit of $491 per month or 56.5 percent of the poverty line. Therefore, the Medically Needy program extends coverage only to those families whose medical expenses drive their countable income somewhat below the state's AFDC income eligibility limit.

Another key option is the **SOBRA**[11] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid

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10. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

11. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[12]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Hawaii does not have a SOBRA program, leaving large numbers of pregnant women and young children from poor families without Medicaid coverage.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Hawaii covered 22 out of 32 possible optional Medicaid services. Services *not* covered by the Medicaid program in Hawaii included inpatient psychiatric services for people under age 22 and chiropractic services.

Elderly and Disabled

In most states, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some states have especially restrictive Medicaid eligibility criteria for the elderly and disabled and *fail* to cover all SSI recipients under Medicaid. (These states are sometimes called "209(b) states" due to the section of federal law that

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12. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

permits them to adopt Medicaid eligibility criteria that are more restrictive than the criteria used for SSI.) States are permitted to use Medicaid eligibility criteria as restrictive as those they used for their elderly and disabled poor in January 1972, before SSI began.

- Hawaii is one of just 14 states that does *not* extend Medicaid eligibility to all SSI recipients.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Hawaii has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $300, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 57.4 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Hawaii has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Hawaii does not pay for services for those aged 65 or over who are in mental institutions.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Hawaii.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases,

these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Hawaii:

- 37.3 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Hawaii ranked 15th among all states by this measure.

Unemployment insurance benefits, moreover, generally replace half or less of the wage an unemployed worker previously earned. In Hawaii:

- Average unemployment insurance benefits equaled 44.5 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum

period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Hawaii, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	31.4%
Corporation net income	2.9
General sales	50.1
Selective sales	13.3
License	1.7
Other taxes	0.5

As the table indicates, Hawaii collects just 34.3 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

In Hawaii:

- If a two-parent family of four earns $10,000 a year, it would owe state income taxes of $116. However, the burden of Hawaii's income tax on the poor is eliminated for most families by a refundable "food" tax credit that is administered through the income tax system. This credit, adopted in 1987, equals $45 per person. Households of all incomes are eligible.

For low-income households in most states, sales tax burdens heavy. Sales taxes are inherently regressive because they are taxes on consumption and unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Hawaii:

- The sales tax rate was 4.0 percent in 1987.

- 50.1 percent of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Hawaii:

- Food and utilities were not exempt from taxation. (There is one notable exception. By federal law, purchases made with food stamps are exempt from the sales tax. In addition, the "food" tax credit mentioned above is designed to ameliorate the burden of the sales tax on food.)

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Hawaii also has a general sales tax credit for households earning $20,000 or less.

Local property taxes are generally the most burdensome tax for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Hawaii does not have a circuitbreaker program.[13]

However, Hawaii does have a renter credit, another mechanism to provide property tax relief. Hawaii is one of only two states with such a program, which targets assistance to renters with an income below an established limit. Hawaii has a $50 tax credit per income tax exemption, with an income limit of $20,000.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible

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13. Circuitbreaker information is from 1985.

applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 16,175 renter households in Hawaii received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number of "very low-income" renter households residing in Hawaii totalled 53,160. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 30.4 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 30.4 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states. In Hawaii:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 51.1 percent.[14] This represented a shortage of 13,706 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution,

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14. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households. Information on the proportion of such costs the program covers in Hawaii is unavailable.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Hawaii, only an estimated 26.6 percent of those who are eligible are served under the federally-funded WIC program.[15]

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15. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S.

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Hawaii does not supplement the WIC program.

Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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IDAHO

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Idaho Highlights

Estimated poverty rate, 1985	16.0%
Estimated number of poor, 1985	161,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	40.2%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	68.9%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	40.2%
Percentage of unemployed receiving unemployment insurance, 1986	37.8%
Percentage of state tax revenue from individual and corporate income tax, 1986	40.1%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no	28
AFDC emergency assistance	no	26
SSI state supplement	yes	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	no	32
Medicaid "SOBRA" option		
Pregnant women and children	no	25
Elderly and disabled	no	4
Medicaid Medically Needy program	no	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	no	10
Covers renters	no	25

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*Data are from 1987, except where otherwise noted.

IDAHO

An estimated 16.0 percent of the population of Idaho, or 161,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Idaho, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance are unlikely to receive a level of aid that lifts them to the poverty line.

There are sizable gaps in the safety net for poor people in Idaho. The state's level of AFDC cash assistance to single-parent households ranks 34th among all states and the District of Columbia. Benefits for a mother with two children and no other income equalled only 40 percent of the poverty line in 1987. AFDC benefits in Idaho have fallen far behind inflation, having declined 51 percent since 1970, after adjusting for inflation. In addition, Idaho has elected not to provide AFDC benefits to poor families with children in which both parents are present.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985 the national poverty rate was 14.0 percent.

There are large gaps in Idaho's medical assistance coverage for poor households. Idaho is one of just seven states in the nation that does not currently offer any of four key Medicaid options that provide health coverage to members of poor families with children who do not receive AFDC benefits or to elderly and disabled people who do not receive SSI. Twenty-five states extend Medicaid coverage to pregnant women and infants who live in families with incomes up to the poverty line, including half of the Southern states, but Idaho does not. For a three-person family, Idaho's Medicaid income eligibility limit is set at just 40.2 percent of the poverty line, making many families with incomes that are well below the poverty line -- including those with pregnant women and infants -- ineligible for health care coverage. Moreover, unlike most other states, Idaho has chosen not to provide Medicaid to poor households whose high medical expenses reduce their incomes to levels that make them poorer than households receiving AFDC or SSI. Finally, the adults in two-parent families and many of their children are ineligible for Medicaid, no matter how poor they are.

Finally, Idaho does not participate in the AFDC Emergency Assistance program and 37.8 percent of the unemployed received unemployment insurance benefits in Idaho in 1986.

These and other aspects of the Idaho safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Idaho well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Idaho does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Idaho:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $304 per month, or $3,648 per year. This AFDC benefit equals 40.2 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 34th out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $217 per month. At most, AFDC and food stamp benefits combined can equal 68.9 percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a family of three without any income, AFDC benefit payments equal 54.9 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.) Idaho last raised its need standard in 1981, although the cost of living increased 25 percent from 1981 to 1987.

- For a single-parent family of *four* without any income, maximum AFDC benefits are $4,128 per year, which equals 35.5 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 51.3 percent from 1970 to 1987, after adjusting for inflation. AFDC benefits in Idaho were last raised in 1984.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Idaho who incurs deductible child care costs of $106 a month,[4] earnings of $505 a month -- equal to 66.8 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Idaho:

- For a single mother with two children who does *not* get a child care deduction, earnings of only $399 a month -- equal to 52.8 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Idaho does not provide AFDC emergency assistance.

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4. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[5] Some 28 states have such a program (known as "AFDC-UP").

- Idaho does *not* have an AFDC-UP program.

Since there is no AFDC-UP program in Idaho, two-parent families with an unemployed primary earner are ineligible for cash assistance, other than unemployment insurance benefits, which are available only to a minority of the unemployed. (In some states, counties with a general assistance program do offer aid to two-parent families, but two-parent families are typically excluded from such aid.)

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same for all states.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[6]

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5. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

6. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

In Idaho:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[7] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.

- Idaho supplements the basic federal SSI grant by $73 a month for an individual and $44 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 90.9 percent of the poverty line for an individual and 96.6 percent for a couple.

- The value of the state supplement, after adjustment for inflation, declined by 41.3 percent for an individual and 36.3 percent for a couple from 1974 (the year SSI started) to 1987.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $20 per month for an individual and $50 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 95.3 percent of the poverty line for individuals and 105.3 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

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7. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Idaho:

- Under very broad state guidelines, counties can establish their own general assistance programs, but they are subject to no requirements to provide any particular minimum level of assistance or to meet any minimum coverage standards.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to just 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though Idaho does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- Idaho does not provide Medicaid coverage to two-parent families who meet its AFDC income eligibility requirements.

Poor children and pregnant women from families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since two-parent families in Idaho are not eligible for AFDC benefits.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Idaho extends Medicaid coverage only to some income-eligible children under 21 years of age. It is one of 19 states that has chosen to restrict this coverage to small groups of children, such as those in foster care.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically** Needy program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family

is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Idaho is one of 14 states that does *not* have a Medically Needy program. Consequently, in Idaho the Medicaid income eligibility limit is the same as the AFDC income eligibility limit, which is 40.2 percent of the three-person poverty level.

Another key option is the **SOBRA**[8] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[9]

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8. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

9. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, 1987 federal legislation allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Idaho does not have a SOBRA program, leaving large numbers of pregnant women and young children from poor families without Medicaid coverage.

Idaho is one of seven states that has adopted *none* of the four key Medicaid options described above: coverage of two-parent families, coverage of Ribicoff children, a Medically Needy program, and SOBRA coverage of pregnant women and young children. In contrast, 41 states have adopted two or more of these options.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Idaho covered 14 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Important items and services *not* covered by the Medicaid program in Idaho included dental services and eyeglasses.

Elderly and Disabled

In most states, including Idaho, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Idaho does not have a Medically Needy program for the low-income elderly and disabled.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Idaho has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Idaho does not pay for services or items such as dentures and prosthetic devices.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Idaho.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an

historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Idaho:

- 37.8 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Idaho ranked 12th among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 49.7 percent of the unemployed in Idaho received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Idaho:

- Average unemployment insurance benefits equaled 42.6 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to

which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Idaho, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	34.4%
Corporation net income	5.7
General sales	33.6
Selective sales	16.7
License	9.0
Other taxes	0.5

As the table indicates, Idaho collects 40.1 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes.

In Idaho, the income tax threshold for a two-parent family of four has been raised significantly from its level of $8,000 in 1986.

- A two-parent family of four will begin to owe income taxes when its income reaches $12,800 (which is above the estimated 1988 poverty threshold).

For poor households in most states, sales tax burdens are heavy. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Idaho:

- The sales tax rate was 5.0 percent in 1987.

- 33.6 percent of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Idaho:

- Food was *not* exempt from taxation. (There is one notable exception. Federal law requires that purchases made with food stamps are exempt from the sales tax.) Utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Idaho has a refundable sales tax credit of $15 per personal exemption (for the elderly, the credit is $30 per exemption). Benefits are not phased out as income rises. Moreover, nonelderly people who have such low incomes that they do not file income tax returns may not receive the credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a

household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Idaho has a circuitbreaker program.[10]

- However, Idaho has one of the six most restrictive circuitbreakers in the country. Eligibility for the circuitbreaker is limited to elderly and disabled homeowners. All low income renter households and all low income homeowners who are not elderly or disabled are ineligible.

- By contrast, 25 of the other 30 states with circuitbreaker programs do cover renters, and 10 states also cover households which are neither elderly nor disabled.

- The average annual benefit from the circuitbreaker in Idaho was $181 in 1985, and benefits could be extended to elderly and disabled homeowners with incomes up to $13,120.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, 9,072 renter households in Idaho received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

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10. Circuitbreaker information is from 1985.

- Yet in 1983, the number of "very low-income" renter households residing in Idaho totalled 40,630. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 22.3 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 22.3 percent figure -- as small as it is -- overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[11] In Idaho:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 58.3 percent. This represented a shortage of 9,524 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for

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11. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Idaho's share of the federal LIHEAP appropriation equaled 58.1 percent of the estimated total heating and cooling costs[12] of all low-income households in Idaho which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Idaho, only an estimated 31.3 percent of those who are eligible are served under the federally-funded WIC program.[13]

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12. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

13. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Idaho does not supplement the WIC program.

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nationwide increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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INDIANA

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Indiana Highlights

Estimated poverty rate, 1985	12.0%
Estimated number of poor, 1985	660,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	38.1%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	67.4%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	38.1%
Percentage of unemployed receiving unemployment insurance, 1986	24.4%
Percentage of state tax revenue from individual and corporate income tax, 1986	33.9%

Optional programs*	State has program?	Number of states with program
AFDC-UP	**	28
AFDC emergency assistance	no	26
SSI state supplement	no	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	no	32
Medicaid "SOBRA" option		
Pregnant women and children	no	25
Elderly and disabled	no	4
Medicaid Medically Needy program	no	36
Property tax circuitbreaker, 1985	no	31

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*Data are from 1987, except where otherwise noted.

**Indiana recently adopted a version of AFDC-UP, but with certain restrictive requirements.

INDIANA

An estimated 12.0 percent of the population in Indiana, or 660,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Indiana, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance are unlikely to receive a level of aid that lifts them to the poverty line.

The safety net for poor people in Indiana is among the weakest in the nation. Although Indiana increased its maximum AFDC benefit level for a family of three by 8.5 percent from 1986 to 1987, after adjusting for inflation, the level was so low to begin with that its AFDC cash assistance to single-parent households still ranks only 36th among all states and the District of Columbia. A mother and two children with no other income received a maximum benefit of $288 a month in 1987, which equalled just 38.1 percent of the poverty line. In addition, while Indiana passed legislation in 1987 extending AFDC benefits to some poor two-parent families, the program is limited in scope and participation.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985 the national poverty rate was 14.0 percent.

Indiana also lacks an AFDC emergency assistance program and has no state general assistance program for single individuals and childless couples who are poor. General cash assistance may be provided at the discretion of local jurisdictions.

Poor elderly and disabled people may receive the basic federal SSI grant, but this leaves them below the poverty line. Twenty-seven states supplement the federal SSI grant to bring the elderly and disabled poor closer to or above the poverty line. Indiana is not one of these states.

Indiana is one of just seven states in the nation that does not currently offer any of four key Medicaid options that provide health coverage to members of poor families with children who do not receive AFDC benefits or to elderly and disabled people who do not receive SSI. Twenty-five states extend Medicaid coverage to pregnant women and infants who live in families with incomes up to the poverty line, including half of the Southern states, but Indiana does not. Indiana's Medicaid income eligibility limit for a three-person family is set at just 38.1 percent of the poverty line, making many families with incomes that are well below the poverty line -- including those with pregnant women and infants -- ineligible for health care coverage. Moreover, unlike most other states, Indiana has chosen not to provide Medicaid to poor households whose high medical expenses reduce their incomes to levels that make them poorer than households receiving AFDC or SSI.

In addition, fewer than one of four of the unemployed in Indiana received unemployment insurance in 1986, the ninth lowest unemployment insurance coverage rate in the nation.

At the same time that Indiana provides limited assistance to its poor residents, it imposes substantial tax burdens on them. In Indiana, a family of four begins to owe state income tax when its income reaches $4,000 -- or less than one-third of the poverty line. This ties Indiana with two other states for the lowest income tax threshold in the nation. The income tax burden imposed on a family of four with $10,000 in income is the fourth highest in the nation. In addition, while 31 states have low-income property tax relief programs (known as "circuitbreaker" programs), Indiana is not one of them. By contrast, the neighboring states of Illinois, Michigan, and Ohio all have circuitbreaker programs.

These and other aspects of the Indiana safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Indiana well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Indiana does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Indiana:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $288 per month, or $3,456 per year. This AFDC benefit equals 38.1 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 36th out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $221 per month. At most, AFDC and food stamp benefits combined can equal

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

67.4 percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a family of three without any income, AFDC benefit payments equal 90.0 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $4,152 per year, which equals 35.7 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 21.0 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Indiana who incurs deductible child care costs of $106 a month,[4] earnings of $489 a month -- equal to 64.7 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Indiana:

- For a single mother with two children who does *not* get a child care deduction, earnings of $383 a month -- equal to 50.7 percent of the

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3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

4. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Indiana does not provide AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[5] Some 28 states have such a program (known as "AFDC-UP").

- Indiana recently adopted a variation of an AFDC-UP program. The program will extend benefits under limitted conditions.[6]

AFDC-UP, in addition, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same for all states.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988)

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5. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

6. To be eligible for Indiana's version of AFDC-UP benefits, the primary earner in a two-parent family must participate in job training, community work, or adult education for 32 hours a week and in job search for eight hours a week. Benefits, moreover, are restricted to six months of any twelve-month period. This program currently awaits federal approval. Initially, it will be implemented in 10 counties in which about 37 percent of Indiana's AFDC and food stamp recipients live.

is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[7]

In Indiana:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[8] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.

- Indiana does *not* supplement the basic federal SSI grant.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.

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7. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as nursing homes).

8. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Indiana:

- There are no state standards for the provision of general assistance. Townships can establish their own programs but are subject to no requirements to provide any particular minimum level of assistance or to meet any minimum coverage standards.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of

households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid.

Poor children and pregnant women from families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many poor two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Indiana extends Medicaid coverage only to some income-eligible children under 18 years of age. It is one of 19 states that has chosen to restrict this coverage to small groups of children, such as those in psychiatric care.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a Medically Needy program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Indiana is one of 14 states that does *not* have a Medically Needy program. Consequently, in Indiana the Medicaid income eligibility limit is the same as the AFDC income eligibility limit, which is only 38.1 percent of the three-person poverty level.

Another key option is the **SOBRA**[9] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the

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9. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[10]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Indiana does not have a SOBRA program, leaving large numbers of pregnant women and young children from poor families without Medicaid coverage.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Indiana covered 28 out of 32 possible optional Medicaid services.

The restrictiveness of the Medicaid program in Indiana is especially noteworthy because in 1985 the state infant mortality rate was 10.9 per thousand births, which was above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some states have especially restrictive Medicaid eligibility criteria for the elderly and disabled and *fail* to cover all SSI recipients under Medicaid. (These states are sometimes called "209(b) states" due to the section of federal law that permits them to adopt Medicaid eligibility criteria that are more restrictive than the criteria used for SSI.) States are permitted to use Medicaid eligibility criteria as restrictive as those they used for their elderly and disabled poor in January 1972, before SSI began.

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10. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

- Indiana is one of 14 states that does *not* extend Medicaid eligibility to all SSI recipients.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Indiana does *not* have a Medically Needy program for the low-income elderly and disabled.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Indiana has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- Medicaid in Indiana does not pay for certain services for those aged 65 or older who live in mental institutions.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Indiana.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Indiana:

- 24.4 percent of the unemployed, or fewer than one of every four, received unemployment insurance benefits in an average month in 1986.

- Indiana ranked 43rd among all states by this measure.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Indiana:

- Average unemployment insurance benefits equaled 27.6 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

The low level of unemployment insurance coverage in Indiana is of particular significance for poor individuals and families given the limits to its AFDC-UP program for two-parent families and the absence of a state general cash assistance program (there are locally-based general cash assistance programs). As

a result, in households without an elderly or disabled person, unemployed single people as well as childless couples or two-parent families with an unemployed worker are unlikely to receive cash assistance from any level of government, no matter how poor they are.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Indiana, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	29.8%
Corporation net income	4.1
General sales	48.5
Selective sales	12.7
License	3.2
Other taxes	1.7

As the table indicates, Indiana collects 33.9 percent of its revenue through the state individual and corporate income taxes. This is less than the 36.6 percent of revenue raised through income taxes in the typical (or median) state with an individual income tax.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

In Indiana:

- If a two-parent family of four earns $10,000 a year, it will owe state income taxes of $204. By contrast, in the typical (or median) state with an income tax, such a family has a tax liability of $31.

- The income tax burden for a family at this income level is the fourth highest in the nation.

- A two-parent family of four will begin to owe income taxes when its income reaches $4,000, which is 32.7 percent of the estimated 1988 poverty line. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Indiana:

- The sales tax rate was 5.0 percent in 1987.

- 48.5 percent of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Indiana:

- Utilities were *not* exempt from taxation; food was exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Indiana does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Indiana does *not* have a circuitbreaker program.[11]

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

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11. Circuitbreaker information is from 1985.

- In 1985, 79,052 renter households in Indiana received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number of "very low-income" renter households residing in Indiana totalled 214,860. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 36.8 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 36.8 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[12] In Indiana:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 59.7 percent. This represented a shortage of 58,072 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of

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12. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Indiana's share of the federal LIHEAP appropriation equaled 20.2 percent of the estimated total heating and cooling costs[13] of all low-income households in Indiana which were potentially eligible for assistance under federal guidelines. This percentage is expected to be even lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

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13. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

- In Indiana, an estimated 41.6 percent of those who are eligible are served under the federally-funded WIC program.[14]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Indiana supplements the WIC program. This supplement will total $400,000 over the next five years.

14. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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IOWA

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Iowa Highlights

Estimated poverty rate, 1985	18.0%
Estimated number of poor, 1985	519,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	50.4%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	76.0%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	57.3%
Percentage of unemployed receiving unemployment insurance, 1986	29.5%
Percentage of state tax revenue from individual and corporate income tax, 1986	40.8%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	no	26
SSI state supplement	no	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	no	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	no	10
Covers renters	yes	25

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*Data are from 1987, except where otherwise noted.

IOWA

An estimated 18.0 percent of the population in Iowa, or 519,000 people, lived in poverty in 1985,[1] making Iowa one of the poorest states in the nation. This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Iowa, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance are unlikely to receive a level of aid that lifts them to the poverty line.

The Iowa safety net contains some large holes. The maximum AFDC benefit for a family of three with no other income equals just half of the poverty line. AFDC benefits fell 37.6 percent from 1970 to 1987, after adjustment for inflation. A family of three must have income (after medical expenses and some limited deductions) of less than three-fifths of the poverty line to be eligible for Medicaid. Iowa has yet to adopt a key Medicaid option to extend coverage to all poor pregnant women and young children.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985 the national poverty rate was 14.0 percent.

Furthermore, there are no state standards for cash assistance to poor single individuals and childless couples who are neither elderly nor disabled, and these types of households are unlikely to receive health care assistance. The elderly and disabled receive only the basic federal SSI grant, which leaves them below the poverty line. Twenty-seven states supplement the federal SSI benefit to bring the elderly and disabled poor closer to or above the poverty line, but Iowa is not one of these states.

Iowa also imposes significant tax burdens on many of its low income households. While the state raised its income tax threshold in 1987, it still imposes income tax on a family of four with income above $7,500 -- which is more than $4,000 below the poverty line. The income tax burden imposed on a family of four with income of $10,000 is the seventh highest in the nation. In addition, while Iowa has a "circuitbreaker" program to provide property tax relief to low income households, the circuitbreaker is restricted to the elderly and disabled and does not cover low income families with children that have high property tax bills. Finally, only 29.5 percent of the unemployed received unemployment insurance in 1986.

These and other aspects of the Iowa safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Iowa well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Iowa does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Iowa:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $381 per month, or $4,572 per year. This AFDC benefit equals 50.4 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 19th out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $194 per month. At most, AFDC and food stamp benefits combined can equal 76.0 percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a family of three without any income, AFDC benefit payments equal only 76.7 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.) Iowa last raised its need standard in 1984.

- For a single-parent family of *four* without any income, maximum AFDC benefits are $5,316 per year, which equals 45.7 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 37.6 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Iowa who incurs deductible child care costs of $106 a month,[4] earnings of $582 a month -- equal to 77.0 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Iowa:

- For a single mother with two children who does *not* get a child care deduction, earnings of $476 a month -- equal to 63.0 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Iowa does *not* provide AFDC emergency assistance.

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4. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[5] Some 28 states have such a program (known as "AFDC-UP").

- Iowa has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986, only 12.1 percent of the AFDC caseload in Iowa consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same for all states.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[6]

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5. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

6. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

In Iowa:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[7] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.

- Iowa does *not* supplement the basic federal SSI grant.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be

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7. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Iowa:

- There are no state standards for the provision of general assistance. Counties can establish their own programs but are subject to no requirements to provide any particular minimum level of assistance or to meet any minimum coverage standards.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on

scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children and pregnant women from families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many poor two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC-UP benefits.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Iowa extends Medicaid coverage to all income-eligible children under 21 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family

with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Iowa, a family of three with a monthly countable income of less than $433, after deducting medical expenses, is eligible for Medicaid. This income eligibility limit is equal to 57.3 percent of the poverty line for a family of three.[8]

Another key option is the **SOBRA**[9] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[10]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Iowa does *not* have a SOBRA program, leaving large numbers of pregnant women and young children from poor families without Medicaid coverage.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid

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8. The figures cited above are for 1987. As of January 1988, the Medically Needy income limit is $508 a month for a family of three, or 64.4 percent of the estimated 1988 poverty line.

9. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

10. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Iowa covered 22 out of 32 possible optional Medicaid services. (For households that are covered under the Medically Needy option, only 18 state service options are provided. Among the additional services not provided to such households include ICF services for the mentally retarded.)

Elderly and Disabled

In most states, including Iowa, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Iowa has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $433, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 95.3 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Iowa has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- Medicaid in Iowa does not pay for personal care services and for certain services to those aged 65 or older who are in mental institutions.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is women in these households who are pregnant; often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is women in these households who are pregnant; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Iowa.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, just 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Iowa:

- Only 29.5 percent of the unemployed received unemployment insurance benefits in an average month in 1986.

- Iowa ranked 32nd among all states by this measure.

- The strength of unemployment insurance coverage was down from 1979 when 37.7 percent of the unemployed in Iowa received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Iowa:

- Average unemployment insurance benefits equaled 44.7 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that is replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Iowa, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	35.2%
Corporation net income	5.6
General sales	31.3
Selective sales	15.9
License	9.6
Other taxes	2.5

As the table indicates, Iowa collects 40.8 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

Iowa recently raised its income tax threshold, but the income tax burden on many poor families is still heavy. In 1988:

- If a two-parent family of four earns $10,000 a year, it will owe state income taxes of $144. By contrast, in the typical (or median) state with an income tax, such a family has a tax liability of $31.
- The income tax burden for a family at this income level is the seventh highest in the nation.
- A two-parent family of four will begin to owe income taxes when its income reaches $7,500, which is 61.3 percent of the estimated 1988 poverty line. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Iowa:

- The sales tax rate was 4.0 percent in 1987.
- 31.3 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Iowa:

- Utilities were *not* exempt from taxation; food was exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Iowa does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Iowa has a circuitbreaker program.[11]

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11. Circuitbreaker information is from 1985.

- Eligibility for the circuitbreaker is limited to elderly or disabled homeowners and renters; thus it fails to assist the nonelderly and nondisabled.

- The average annual benefit from the circuitbreaker in Iowa was $201 in 1985, and benefits could be extended to eligible households with incomes up to $12,000.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 31,076 renter households in Iowa received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in Iowa totalled 115,350. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 26.9 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 26.9 percent figure -- as small as it is -- overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[12] In Iowa:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 63.0 percent. This represented a shortage of 32,672 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income

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12. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Iowa's share of the federal LIHEAP appropriation equaled 24.1 percent of the estimated total heating and cooling costs[13] of all low-income households in Iowa which were potentially eligible for assistance under federal guidelines. This percentage is expected to be even lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Iowa, only an estimated 41.3 percent of those who are eligible are served under the federally-funded WIC program.[14]

Some 11 states have chosen to provide state funds to supplement the WIC program directly, which can increase the proportion of eligible women, infants, and children who are served.

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13. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

14. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

- Iowa does not supplement the WIC program.[15]

Iowa is one of 14 states that has a federally funded Commodity Supplemental Food Program which has a target population similar to that of WIC. The WIC participation rate mentioned above did account for these CSFP participants.[16] CSFP operates only in Des Moines and surrounding Polk County, where it serves 2,283 participants.

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15. Iowa does have a WIC "contingency fund" of $200,000 which may be used to cover WIC costs if the state overspends its federal WIC grant for a fiscal year. To the best of our knowledge, Iowa has not had to dip into the contingency fund and spend state money for WIC.

16. CSFP participants are ineligible for the WIC program; therefore, the Center adjusted USDA's 1984 WIC eligible pool by subtracting out CSFP participants who otherwise meet WIC eligibility criteria.

R3834-1.38

KANSAS

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Kansas Highlights

Estimated poverty rate, 1985	13.8%
Estimated number of poor, 1985	338,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	54.1%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	79.1%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	61.5%**
Percentage of unemployed receiving unemployment insurance, 1986	37.3%
Percentage of state tax revenue from individual and corporate income tax, 1986	38.7%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	yes	26
SSI state supplement	no	27
Statewide general assistance	yes	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	no	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	yes	10
Covers renters	yes	25

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*Data are from 1987, except where otherwise noted.

**For a family of four, the Medicaid income eligibility limit is only 48.5 percent of the poverty line.

KANSAS

An estimated 13.8 percent of the population of Kansas, or 338,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Kansas, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of aid that does not lift them to the poverty line.

The safety net in Kansas contains some sizable gaps. AFDC benefits for a mother and two children with no other income equal just a bit more than half of the poverty line. AFDC benefit levels declined 34 percent from 1970 to 1987, after adjusting for inflation. In addition, a single-parent family with two children must have income (after medical expenses and some limited deductions) of less than 61.5 percent of the poverty line to be eligible for Medicaid. Kansas has failed to adopt a key Medicaid provision instituted by half of the states to extend coverage to all poor pregnant women and young children.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

The safety net is especially limited for poor single individuals and childless couples who are not elderly or disabled. They are ineligible for virtually all cash or medical assistance.

The elderly and disabled poor may receive the basic federal SSI grant, but this leaves them below the poverty line. Twenty-seven states supplement the federal SSI benefit to bring the elderly and disabled poor closer to or above the poverty line. Kansas is not one of these states. In addition, in 1986, only 37.3 percent of unemployed workers in Kansas received unemployment benefits in an average month. Finally, Kansas begins imposing income tax on families of four with incomes of $6,000 a year, or only about half of the poverty line. This is the 10th lowest state income tax threshold in the country.

These and other aspects of the Kansas safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Kansas well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with

inflation, AFDC benefit amounts are determined by each state. Kansas does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Kansas:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $409 per month, or $4,908 per year.[2] This AFDC benefit equals 54.1 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 16th out of all states.[3]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $189 per month. At most, AFDC and food stamp benefits combined can equal 79.1 percent of the poverty line.[4]

  However, more than one of every five AFDC households in Kansas does not receive food stamps. The food stamp participation rate for AFDC households in Kansas is below the national average.[5]

- For a single-parent family of *four* without any income, maximum AFDC benefits are $5,640 per year, which equals 48.5 percent of

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2. Data are based on the highest possible shelter deduction (which differs by area).

3. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

4. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

5. According to a recent report by the U.S. General Accounting Office, 78.8 percent of AFDC households in Kansas received food stamps in fiscal year 1986, while 21.2 percent -- or 4,940 households -- did not. Kansas' participation rate is low because only about half (51.6 percent) of households consisting of both AFDC family members and of other persons residing with them received food stamps. This is one of the lowest food stamp participation rates in the nation for these AFDC "mixed households," as they are known.

the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 34.0 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Kansas who incurs deductible child care costs of $106 a month,[6] earnings of $610 a month -- equal to 80.7 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Kansas:

- For a single mother with two children who does *not* get a child care deduction, earnings of $504 a month -- equal to 66.7 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Kansas provides AFDC emergency assistance.

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6. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[7] Some 28 states have such a program (known as "AFDC-UP").

- Kansas has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986, only 8.6 percent of the AFDC caseload in Kansas consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same for all states.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[8]

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7. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

8. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those

In Kansas:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[9] in non-supplemented states which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.

- Kansas does *not* supplement the basic federal SSI grant.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be

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receiving in-home health care).

9. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Kansas:

- There is a state general assistance program, but it serves only people who are disabled or aged 55 and above. Thus nondisabled singles and childless couples under age 55 who are poor are left without any cash assistance (unless they are receiving unemployment insurance).

- For a household without any income, the monthly benefits are $189 for one person or $254 for a two-person household, which are equal to 39.2 percent and 41.2 percent of the respective poverty lines for these households.[10]

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may

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10. In some state programs, the level of general assistance benefits varies by areas within the state; in these instances, benefit levels for the most representative area are cited.

receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children and pregnant women from families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many poor two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Kansas extends Medicaid coverage to all income-eligible children under 18 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income

minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Kansas, a family of three with a monthly countable income of less than $465, after deducting medical expenses, is eligible for Medicaid.[11] This income eligibility limit is equal to 61.5 percent of the poverty line for a family of three. For a family of four, the eligibility limit is even further below the poverty line -- only $470, or 48.5 percent of the poverty line.

Another key option is the **SOBRA**[12] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the

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11. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

12. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[13]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Kansas does *not* have a SOBRA program, leaving large numbers of pregnant women and young children from poor families without Medicaid coverage.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Kansas covered 22 out of 32 possible optional Medicaid services. Important services *not* covered by the Medicaid program in Kansas included diagnostic, screening, and preventive services other than those specifically provided for under the Medicaid plan.

Elderly and Disabled

In most states, including Kansas, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Kansas has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $341, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 75.0 percent of the poverty level for a single elderly individual.

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13. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the SOBRA law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Kansas has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Kansas does not pay for services such as private duty nursing and transportation.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Kansas.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Kansas:

- Some 37.3 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Kansas ranked 14th among all states by this measure.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Kansas:

- Average unemployment insurance benefits equaled 44.3 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that is replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of the income of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Kansas, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	30.5%
Corporation net income	8.2
General sales	29.3
Selective sales	17.0
License	6.5
Other taxes	8.5

As the table indicates, Kansas collects 38.7 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

In Kansas:

- If a two-parent family of four earns $10,000 a year, it will owe state income taxes of $115. By contrast, in the typical (or median) state with an income tax, such a family has a tax liability of $31.

- A two-parent family of four will begin to owe income taxes when its income reaches $6,000, which is 49.0 percent of the estimated 1988 poverty line. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Kansas:

- The sales tax rate was 4.0 percent in 1987.
- 29.3 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Kansas:

- Food was *not* exempt from taxation. (There is one notable exception. Federal law requires that purchases made with food stamps be exempt from the sales tax.) Utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Kansas has a sales tax credit for low-income households. It is extended to the disabled, those aged 55 or older, and families with children under age 18.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Kansas has a circuitbreaker program.[14]
- Low-income homeowners and renters of all ages are eligible for the circuitbreaker.
- The average annual benefit from the circuitbreaker in Kansas was $158 in 1985, and benefits could be extended to households with incomes up to $12,800.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 26,702 renter households in Kansas received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

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14. Circuitbreaker information is from 1985.

- Yet in 1983, the number just of "very low-income" renter households residing in Kansas totalled 103,130. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 25.9 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 25.9 percent figure -- as small as it is -- overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of low-income renter households substantially exceeds the number of very low-rent units in most states.[15] In Kansas:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 47.5 percent. This represented a shortage of 23,837 very low-rent units.

Unfortunately, the already large gap between the number of low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which found that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding

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15. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Kansas' share of the federal LIHEAP appropriation equaled 18.3 percent of the estimated total heating and cooling costs[16] of all low-income households in Kansas which were potentially eligible for assistance under federal guidelines. This percentage is expected to be even lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Kansas, only an estimated 34.6 percent of those who are eligible are served under the federally-funded WIC program.[17]

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16. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

17. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S.

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Kansas does *not* supplement the WIC program.

Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

R3834-1.39

KENTUCKY

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Kentucky Highlights

Estimated poverty rate, 1985	19.4%
Estimated number of poor, 1985	723,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	26.1%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	56.2%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	35.3%
Percentage of unemployed receiving unemployment insurance, 1986	24.5%
Percentage of state tax revenue from individual and corporate income tax, 1986	32.8%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no	28
AFDC emergency assistance	no	26
SSI state supplement	no	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	no	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	no	31

*Data are from 1987, except where otherwise noted.

KENTUCKY

An estimated 19.4 percent of the population of Kentucky, or 723,000 people, lived in poverty in 1985,[1] making it one of the poorest states in the nation. This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Kentucky, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance generally receive a level of aid that leaves them well below the poverty line.

The safety net for poor people in Kentucky is among the weakest in the nation. Its level of AFDC cash assistance to single-parent households ranks 46th among all states and the District of Columbia. A mother and two children with no other income received a maximum AFDC benefit of $197 a month in 1987, which equalled only about one-fourth (26.1 percent) of the poverty line. From 1970 to 1987, AFDC benefits for families with no other income plunged 55 percent in Kentucky (after adjusting for inflation), the second steepest decline of any state.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

In addition, Kentucky has elected not to provide AFDC benefits to two-parent families with children who are poor. Twenty-eight states do provide this coverage. Kentucky also has elected not to provide an AFDC emergency assistance program, which is used in 26 other states, sometimes assisting groups such as homeless families.

Medicaid eligibility is also tightly constrained, with many poor families left outside the program. For all members of a single-parent family of three to receive Medicaid coverage, the family must have income (after medical expenses and some limited deductions) less than 35.3 percent of the poverty line. In a positive step, Kentucky has adopted the new option that extends Medicaid coverage to pregnant women and young children who live in families with incomes up to the poverty line.

The safety net is weakest for poor single individuals and childless couples who are not elderly or disabled. Kentucky lacks a general cash assistance program for such households. They are generally ineligible for other cash assistance or health care coverage.

Elderly and disabled people who are poor fare better. They receive the basic federal SSI grant. However, this leaves them below the poverty line. Twenty-seven states supplement the basic SSI grant so that the elderly and disabled poor may be brought closer to or above the poverty line. Kentucky is not one of these states.

Kentucky also has a restrictive unemployment insurance program. In 1986, 24.5 percent of unemployed Kentucky workers -- fewer than one in four -- received unemployment insurance in an average month. This was the 10th lowest unemployment insurance coverage rate in the nation. In 1987, coverage fell to 20.1 percent. The combination of restrictive unemployment insurance coverage, the lack of AFDC-UP for two-parent families, and the absence of a general assistance program for single individuals and childless couples means that unemployed workers are unlikely to be eligible for any cash assistance, unless they are single parents (or elderly or disabled people).

While Kentucky provides limited aid to its poor citizens, it imposes some of the heaviest state tax burdens in the nation on them. In 1988, a family of four begins owing state income tax in Kentucky when its income reaches $4,300, which is nearly $8,000 below the poverty line. Kentucky ties with North Carolina for having the fourth lowest income tax threshold in the country. When the amount of state income taxes owed by a poor family are computed, Kentucky climbs to first in the nation. Kentucky requires a working poor family of four with $10,000 in income to pay $281 in state income taxes, the highest income tax burden for a family at this income level of any state in the nation. In addition, some local jurisdictions in Kentucky also levy local income taxes on working poor households.

These and other aspects of the Kentucky safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types

of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families. Assistance programs are of the least help by far to singles and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Kentucky well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Kentucky does not index benefits to inflation, and the value of its AFDC benefits has declined sharply over time.

In Kentucky:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $197 per month, or $2,364 per year. This AFDC benefit equals 26.1 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 46th out of all states.[2]

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $228 per month. At most, AFDC and food stamp benefits combined can equal 56.2 percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $2,952 per year, which equals 25.4 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 54.9 percent, by more than half, from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Kentucky who incurs deductible child care costs of $106 a month,[4] earnings of $398 a month -- equal to 52.6 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Kentucky:

- For a single mother with two children who does *not* get a child care deduction, earnings of only $292 a month -- equal to 38.6 percent of

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3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

4. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Kentucky does not provide AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[5] Some 28 states have such a program (known as "AFDC-UP").

- Kentucky does *not* have an AFDC-UP program.

Since there is no AFDC-UP program in Kentucky, two-parent families with an unemployed primary earner are ineligible for cash assistance, other than unemployment insurance benefits, which are available only to a minority of the unemployed.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same for all states.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

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5. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[6]

In Kentucky:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[7] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.

- Kentucky does *not* supplement the basic federal SSI grant.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient

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6. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

7. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Kentucky:

- There is no general assistance program, thus leaving nondisabled, nonelderly singles and childless couples who are poor without *any* cash assistance (unless they are receiving unemployment insurance).

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may

receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though Kentucky does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- Kentucky provides Medicaid coverage to two-parent families with an unemployed primary earner who meet its AFDC income eligibility requirements.

Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Kentucky extends Medicaid coverage only to some income-eligible children under 19 years of age. It is one of 19 states that has chosen

to restrict this coverage to small groups of children, such as those in foster care.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a Medically Needy program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Kentucky, a family of three with a monthly countable income of less than $267, after deducting medical expenses, is eligible for Medicaid.[8] This income eligibility limit is equal only to 35.3 percent of the poverty line for a family of three.

Another key option is the **SOBRA**[9] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limit for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

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8. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

9. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[10]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Kentucky has a SOBRA program, with an income eligibility limit equal to the federal poverty level.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Kentucky covered 23 out of 32 possible optional Medicaid services. Services *not* covered by the Medicaid program in Kentucky included screening services other than those specifically covered under the Medicaid plan and chiropractic services.

The restrictiveness of the Medicaid program in Kentucky is especially noteworthy because in 1985 the state infant mortality rate was 11.2 per thousand births, which was above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, including Kentucky, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

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10. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

- Kentucky has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $192, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 42.2 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Kentucky has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Kentucky does not pay for items such as dentures.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Kentucky.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance to the long-term unemployed.

On a nationwide basis, 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Kentucky:

- Only 24.5 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Kentucky ranked 42nd among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 44.5 percent of the unemployed in Kentucky received unemployment insurance benefits in an average month.
- Although 1986 data were used here and in the national overview for comparative purposes, 1987 data were recently tabulated. In Kentucky, the percentage of unemployed receiving unemployment insurance coverage fell to 20.1 percent in 1987.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Kentucky:

- Average unemployment insurance benefits equaled 32.8 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

The low level of unemployment insurance coverage in Kentucky is of particular significance for poor individuals and families given the absence of an AFDC-UP program for two-parent families and the absence of any general cash assistance program. As a result, in households without an elderly or disabled person, unemployed single people as well as childless couples or two-parent families with an unemployed worker are unlikely to receive cash assistance from any level of government, no matter how poor they are.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Kentucky, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	25.5%
Corporation net income	7.3
General sales	27.4
Selective sales	17.2
License	5.8
Other taxes	16.8

As the table indicates, Kentucky collects 32.8 percent of its revenue through the state individual and corporate income taxes. This is less than the 36.6 percent of revenue raised through income taxes in the typical (or median) state with an individual income tax.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the

poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

In Kentucky:

- If a two-parent family of four earns $10,000 a year, it will owe state income taxes of $281. By contrast, in the typical (or median) state with an income tax, such a family has a tax liability of $31.
- The income tax burden for a family at this income level is the *highest* in the nation.
- A two-parent family of four will begin to owe income taxes when its income reaches $4,300, which is 35.1 percent of the estimated 1988 poverty line. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.
- In addition to state income taxes, some local jurisdictions in Kentucky also levy local income taxes on working poor households.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Kentucky:

- The sales tax rate was 5.0 percent in 1987.
- 27.4 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Kentucky:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Kentucky does *not* have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around

the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Kentucky does *not* have a circuitbreaker program.[11]

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal

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11. Circuitbreaker information is from 1985.

government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 68,314 renter households in Kentucky received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in Kentucky totalled 192,420. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 35.5 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 35.5 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[12] In Kentucky:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 32.7 percent. This represented a shortage of 26,600 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is

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12. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Kentucky's share of the federal LIHEAP appropriation equaled 15.7 percent of the estimated total heating and cooling costs[13] of all low-income households in Kentucky which were potentially eligible for assistance under federal guidelines. This percentage is expected to be even lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and

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13. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Kentucky, an estimated 45.7 percent of those who are eligible are served under the federally-funded WIC program.[14]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Kentucky does not supplement the WIC program.

Kentucky is one of 14 states that has a federally funded Commodity Supplemental Food Program which has a target population similar to that of WIC. The WIC participation rate mentioned above did account for these CSFP participants.[15] CSFP operates only in Louisville, where it serves 5,049 participants.

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14. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

15. CSFP participants are ineligible for the WIC program; therefore, the Center adjusted USDA's 1984 WIC eligible pool by subtracting out CSFP participants who otherwise meet WIC eligibility criteria.

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OKLAHOMA

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Oklahoma Highlights

Estimated poverty rate, 1985	16.1%
Estimated number of poor, 1985	532,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	41.0%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	69.4%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	62.3%
Percentage of unemployed receiving unemployment insurance, 1986	27.6%
Percentage of state tax revenue from individual and corporate income tax, 1986	26.8%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no	28
AFDC emergency assistance	yes	26
SSI state supplement	yes	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	no	10
Covers renters	no	25

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*Data are from 1987, except where otherwise noted.

OKLAHOMA

An estimated 16.1 percent of the population of Oklahoma, or 532,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Oklahoma, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often do not receive a level of aid sufficient to lift them out of poverty.

The safety net for poor people in Oklahoma contains some large holes. A mother and two children with no other income received a maximum AFDC benefit of $310 a month in 1987, which equalled about two-fifths (41 percent) of the poverty line. If food stamps are counted as income and added in, the maximum combined AFDC and food stamp benefit totals about two-thirds (69.4 percent) of the poverty line. Oklahoma ranks 31st in the nation in AFDC benefit levels. From 1970 to 1987, AFDC benefits in Oklahoma declined 28.9 percent, after adjusting for inflation.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

In addition, Oklahoma has elected not to provide AFDC benefits to two-parent families with children who are poor, unlike 28 other states that provide this coverage. For all members of a three-person family with children to be eligible for Medicaid, the family must have income (after medical expenses and some limited deductions) of less than 62.3 percent of the poverty line. In a positive step, Oklahoma has adopted the new option that extends Medicaid coverage to pregnant women and young children who live in families with incomes up to the poverty line.

There is no general cash assistance to low-income singles and childless couples who are neither elderly nor disabled. These types of households are also unlikely to receive health care coverage.

Just over one of five unemployed people in Oklahoma (21.4 percent) received unemployment insurance in 1987. For unemployed two-parent families with children who do not qualify for or have exhausted unemployment insurance benefits (as well as for single individuals and childless couples in this situation), the safety net in Oklahoma is weak. Such households generally cannot qualify for any form of cash assistance, regardless of how poor they may be.

While Oklahoma often provides little assistance to poor households, it imposes significant tax burdens on many of them. Although Oklahoma recently boosted its income tax threshold, a family of four still begins to owe state income tax when its income reaches $8,900, which is about $3,000 below the poverty line. The state does not exempt food (other than food purchased with food stamps) from the sales tax. And while the state has a "circuitbreaker" property tax relief program for low income households, the circuitbreaker is limited to low-income elderly and disabled homeowners. Families with children who face high property tax burdens do not qualify for it.

These and other aspects of the Oklahoma safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Oklahoma well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Oklahoma does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Oklahoma:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $310 per month, or $3,720 per year. This AFDC benefit equals 41.0 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 31st out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $215 per month. At most, AFDC and food stamp benefits combined can equal 69.4 percent of the poverty line.[3]

However, more than one of every five AFDC households in Oklahoma

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

does not receive food stamps. Oklahoma's food stamp participation rate for AFDC is below the national average.[4]

- For a family of three without any income, AFDC benefit payments equal only 65.8 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.) Oklahoma last raised its need standard in 1985.

- For a single-parent family of *four* without any income, maximum AFDC benefits are $4,608 per year, which equals 39.6 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 28.9 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Oklahoma who incurs deductible child care costs of $106 a month,[5] earnings of $511 a month -- equal to 67.6 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs.

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4. According to a recent report issued by the U.S. General Accounting Office, 78.9 percent of Oklahoma AFDC households received food stamps, while 21.1 percent did not. The national average participation rate for AFDC households is 83.4 percent.

Oklahoma has an especially low food stamp participation rate among households consisting both of AFDC family members and of other persons residing with them. Only 56.4 percent of such households receive food stamps in the state.

5. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefit. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

In Oklahoma:

- For a single mother with two children who does *not* get a child care deduction, earnings of $405 a month -- equal to 53.6 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Oklahoma provides AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- Oklahoma does *not* have an AFDC-UP program.

Since there is no AFDC-UP program in Oklahoma, two-parent families with an unemployed primary earner are ineligible for cash assistance, other than unemployment insurance benefits, which are available only to a minority of the unemployed.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

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6. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[7]

In Oklahoma:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[8]

- Oklahoma supplements the basic federal SSI grant by $64 a month for an individual and $128 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 88.9 percent of the poverty line for an individual and 111.2 percent for a couple.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $23 per month for an individual and $25 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 94.0 percent of the poverty line for individuals and 115.6 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

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7. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

8. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Oklahoma:

- There is no general assistance program, thus leaving nondisabled, nonelderly singles and childless couples who are poor without *any* cash assistance (unless they are receiving unemployment insurance).

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or

state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though Oklahoma does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- Oklahoma provides Medicaid coverage to two-parent families with an unemployed primary worker which meet its AFDC income eligibility requirements.

Poor children, pregnant women, and other members of families that do not receive AFDC may also be entitled to Medicaid coverage under other provisions of federal and state law.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Oklahoma extends Medicaid coverage to all income-eligible children under 21 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Oklahoma, a family of three with a monthly countable income of less than $417, after deducting medical expenses, is eligible for Medicaid.[9]

- However, Oklahoma is one of seven states where the Medically Needy threshold is *lower than* the AFDC income eligibility limit of $471 per month, or 62.3 percent of the poverty line. Therefore, the Medically Needy program extends coverage only to those families whose medical expenses drive their countable income somewhat below the state's AFDC income eligibility limit.

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC,

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9. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

10. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Oklahoma has a SOBRA program, with an income eligibility limit equal to the federal poverty level.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Oklahoma covered 16 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Important services *not* covered by the Medicaid program in Oklahoma included emergency hospital services.

The provisions of the Medicaid program in Oklahoma are especially noteworthy because in 1985 the state infant mortality rate was 10.9 per thousand births, which was above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

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11. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

Some states have especially restrictive Medicaid eligibility criteria for the elderly and disabled and *fail* to cover all SSI recipients under Medicaid. (These states are sometimes called "209(b) states" due to the section of federal law that permits them to adopt Medicaid eligibility criteria that are more restrictive than the criteria used for SSI.) States are permitted to use Medicaid eligibility criteria as restrictive as those they used for their elderly and disabled poor in January 1972, before SSI began.

- Oklahoma is one of just 14 states that does *not* extend Medicaid eligibility to all SSI recipients.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Oklahoma has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $258, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 56.8 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Oklahoma has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Oklahoma does not pay for items and services such as dentures and private duty nursing.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Oklahoma.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Oklahoma:

- 27.6 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Oklahoma ranked 36th among all states by this measure.
- Although 1986 data were used here and in the national overview for comparative purposes, 1987 data were recently tabulated. In Oklahoma, the percentage of the unemployed receiving unemployment insurance fell to 21.4 percent in 1987. Nationwide, coverage fell to 31.5 percent in 1987, another historic low.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned.

In Oklahoma:

- Average unemployment insurance benefits equaled 42.0 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

The low level of unemployment insurance coverage in Oklahoma is of particular significance for poor individuals and families given the absence of an AFDC-UP program for two-parent families and the absence of any general cash assistance program. As a result, in households without an elderly or disabled person, unemployed single people as well as childless couples or two-parent families with an unemployed worker are unlikely to receive cash assistance from any level of government, no matter how poor they are.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Oklahoma, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	23.2%
Corporation net income	3.6
General sales	22.2
Selective sales	18.9
License	11.0
Other taxes	21.0

As the table indicates, Oklahoma collects 26.8 percent of its revenue through the state individual and corporate income taxes. This is less than the 36.6 percent of revenue raised through income taxes in the typical (or median) state with an individual income tax.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

In Oklahoma:

- If a two-parent family of four earns $10,000 a year, it will owe state income taxes of $33.
- A two-parent family of four will begin to owe income taxes when its income reaches $8,900, which is 72.7 percent of the estimated 1988 poverty line. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.

For poor households in most states, sales tax burdens are much heavier than income tax burdens. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Oklahoma:

- The sales tax rate was 4.0 percent in 1987.[12]
- Some 22.2 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

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12. In addition to the state sales tax of 4.0 percent, some counties and cities also have sales taxes. For example, Oklahoma City has a city sales tax of 2.0 percent and Tulsa has a city sales tax of 3.0 percent, bringing the total state and local sales tax in these areas to 6.0 and 7.0 percent, respectively.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Oklahoma:

- Food was *not* exempt from taxation. (There is a notable exception. Federal law requires that purchases made with food stamps be exempt from the sales tax.) Utilities were exempt from the sales tax.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Oklahoma does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Oklahoma has a circuitbreaker program.[13]

- However, Oklahoma has one of the six most restrictive circuitbreakers in the country. Eligibility for the Oklahoma circuitbreaker is limited to elderly and disabled homeowners. All low-income renter households and all low-income homeowners who are not elderly or disabled are ineligible.

- By contrast, 25 of the other 30 states with circuitbreaker programs do cover renters, and 10 states also cover households which are neither elderly nor disabled.

- The average annual benefit from the circuitbreaker in Oklahoma was $89 in 1985, and benefits could be extended to elderly and disabled homeowners with incomes up to $7,200.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 55,721 renter households in Oklahoma received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

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13. Circuitbreaker information is from 1985.

- Yet in 1983, the number just of "very low-income" renter households residing in Oklahoma totalled 153,030. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 36.4 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 36.4 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[14] In Oklahoma:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 51.5 percent. This represented a shortage of 31,785 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for

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14. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Oklahoma's share of the federal LIHEAP appropriation equaled 9.7 percent of the estimated total heating and cooling costs[15] of all low-income households in Oklahoma which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Oklahoma, an estimated 43.8 percent of those who are eligible are served under the federally-funded WIC program.[16]

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15. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

16. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Oklahoma does *not* supplement the WIC program.

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nationwide increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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OREGON

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Oregon Highlights

Estimated poverty rate, 1985	11.9%
Estimated number of poor, 1985	320,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	54.5%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	83.5%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	72.6%
Percentage of unemployed receiving unemployment insurance, 1986	37.8%
Percentage of state tax revenue from individual and corporate income tax, 1986	70.2%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	yes	26
SSI state supplement	yes**	27
Statewide general assistance	yes	25
Full use of Ribicoff option for children	no	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	yes	10
Covers renters	yes	25

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*Data are from 1987, except where otherwise noted.

**Oregon's SSI supplement is extremely meager.

OREGON

An estimated 11.9 percent of the population of Oregon, or 320,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

Many of those who are poor in Oregon receive government assistance. But their eligibility and the level of assistance they may receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of aid that is not sufficient to lift them out of poverty.

Although Oregon has adopted many of the optional state aid programs for the poor that are allowed under federal law, sizable holes in its safety net remain. The maximum AFDC benefit for a mother and two children with no other income equals just over half (54.5 percent) of the poverty line. If food stamps are counted as income and added in, maximum combined AFDC and food stamp benefits are still well below the poverty line. From 1970 to 1987, maximum AFDC benefits for a family with no other income fell 23.7 percent, after adjusting for inflation. In addition, for all members of a three-person family with children to

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

be eligible for Medicaid, the family must have income (after medical expenses and some limited deductions) of less than 72.6 percent of the poverty line.

Elderly and disabled people essentially receive only the basic federal SSI grant, since the state supplement was only $2 a month for an elderly individual in 1987. All of the other 26 states that supplement the federal SSI benefit provide a larger supplement.

The safety net is weakest for poor single individuals and childless couples who are not elderly or disabled. Oregon has no general cash assistance for such people nor are they likely to receive health care coverage.

Of particular concern in Oregon is the serious shortage of low-rent housing that is available for poor households. In 1985, the number of very low-income renter households was nearly two and a half times greater than the number of available very low-rent units.

These and other aspects of the Oregon safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Oregon below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Oregon does not index benefits to inflation, and the value of its AFDC benefits has declined over time.

In Oregon:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $412 per month, or $4,944 per year. This AFDC benefit equals 54.5 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 15th out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $220 per month. At most, AFDC and food stamp benefits combined can equal 83.5 percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $6,012 per year, which equals 51.7 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 23.7 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

AFDC even though she has income well below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Oregon who incurs deductible child care costs of $106 a month,[4] earnings of $613 a month -- equal to 81.1 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Oregon:

- For a single mother with two children who does *not* get a child care deduction, earnings of $507 a month -- equal to 67.1 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Oregon provides AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[5] Some 28 states have such a program (known as "AFDC-UP").

- Oregon has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

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4. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

5. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986, 5.0 percent of the AFDC caseload in Oregon consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[6] Moreover, even though Oregon supplements SSI, the combined SSI assistance is insufficient to lift elderly and disabled individuals out of poverty.

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6. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

In Oregon:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[7]

- Oregon supplements the basic federal SSI grant by $2 a month for an individual. There is no supplement for a couple. Together, the maximum federal and state supplemental SSI grants equal 75.2 percent of the poverty line for an individual and 88.9 percent for a couple.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.4 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be

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7. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Oregon:

- There is a state general assistance program, but it serves only disabled people. Thus nondisabled, nonelderly singles and childless couples who are poor are left without any cash assistance (unless they are receiving unemployment insurance).

- For a disabled household without any income, the monthly benefits are $239 for one person or $315 for a two-person household, which are equal to 49.6 percent and 51.1 percent of the respective poverty lines for these households.[8]

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

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8. In some state programs, the level of general assistance benefits varies by areas within the state; in these instances, benefit levels for the most representative area are cited.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many poor two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Oregon extends Medicaid coverage only to some income-eligible children under 21 years of age. It is one of 19 states that has chosen to restrict this coverage to small groups of children, such as those who are adopted.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income

minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Oregon, a family of three with a monthly countable income of less than $549, after deducting medical expenses, is eligible for Medicaid.[9] This income eligibility limit is equal to 72.6 percent of the poverty line for a family of three.

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

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9. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

10. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

11. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Oregon has a SOBRA program, with an income eligibility limit equal to 85 percent of the federal poverty level, but which in September 1988 will be increased to the poverty level.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Oregon covered 25 out of 32 possible optional Medicaid services.

Elderly and Disabled

In most states, including Oregon, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Oregon has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $367, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 80.7 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Oregon has *not* adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

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birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- For example, Medicaid in Oregon does not pay for certain services for the elderly in mental institutions.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Oregon.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp

federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Oregon:

- 37.8 percent of the unemployed received unemployment insurance benefits in an average month in 1986.[12]

- Oregon ranked 11th among all states by this measure.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Oregon:

- Average unemployment insurance benefits equaled 40.2 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important.

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12. Although 1986 data were used here and in the national overview for comparative purposes, 1987 data were recently tabulated. In Oregon, the percentage of the unemployed receiving unemployment insurance rose to 42.5 percent in 1987.

State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Oregon, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	61.8%
Corporation net income	8.4
General sales	0
Selective sales	14.1
License	12.6
Other taxes	3.1

As the table indicates, Oregon collects 70.2 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

Oregon recently reformed its state income tax system in a manner that reduced its burden on some of the working poor. However, the burden of the Oregon state income tax on the poor still remains greater in many cases than in the rest of the nation.

- If a two-parent family of four earns $10,000 a year, it will owe state income taxes of $50. By contrast, in the typical (or median) state with an income tax, such a family has a tax liability of $31.

- A two-parent family of four will begin to owe income taxes when its income reaches $9,300, which is 76.0 percent of the estimated 1988 poverty line. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Oregon:

- There was no general sales tax in 1987.

Substantial as the burden of other taxes can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas

around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Oregon has a circuitbreaker program.[13]
- Eligibility for the circuitbreaker is extended to renters and homeowners of all ages.
- The average annual benefit from the circuitbreaker in Oregon was $232 in 1985, and benefits could be extended to households with incomes up to $17,500.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental

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13. Circuitbreaker information is from 1985.

housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 34,491 renter households in Oregon received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in Oregon totalled 154,350. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 22.3 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 22.3 percent figure -- as small as it is -- overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[14] In Oregon:

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14. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by *141.1 percent*. This represented a shortage of 57,657 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low-rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Oregon's share of the federal LIHEAP appropriation equaled 29.1 percent of the estimated total heating

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renter household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

and cooling costs[15] of all low-income households in Oregon which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Oregon, only an estimated 42.0 percent of those who are eligible are served under the federally-funded WIC program.[16]

Some 11 states have chosen to provide funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Oregon does *not* supplement the WIC program.

WIC participation in Oregon is expected to increase in the coming year, due in substantial part to the state's new system for procuring the infant formula provided through its WIC program. The new system, which Oregon pioneered along with Tennessee, was instituted in late 1987 and is now producing savings that are being used to reach additional women, infants, and children.

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15. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

16. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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PENNSYLVANIA

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Pennsylvania Highlights

Estimated poverty rate, 1985	10.5%
Estimated number of poor, 1985	1,246,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	50.5%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	76.1%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	56.2%
Percentage of unemployed receiving unemployment insurance, 1986	43.1%
Percentage of state tax revenue from individual and corporate income tax, 1986	33.9%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	yes	26
SSI state supplement	yes	27
Statewide general assistance	yes**	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	no	10
Covers renters	yes	25

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*Data are from 1987, except where otherwise noted.

**Limited to three months a year for those 45 years old or younger.

PENNSYLVANIA

An estimated 10.5 percent of the population of Pennsylvania, or 1,246,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

Many of those who are poor in Pennsylvania receive government assistance. But their eligibility and the level of assistance are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of aid that is not sufficient to lift them out of poverty.

Although Pennsylvania has adopted a number of the optional programs for the poor that are allowed under federal law, significant gaps in the safety net remain. The maximum AFDC benefit level for a family of three with no other income equals about half (50.5 percent) of the poverty line. From 1970 to 1987, AFDC benefits for families without other income have plunged 49 percent, after adjusting for inflation, the seventh steepest decline in any state. For all members of a three-person family with children to be eligible for Medicaid coverage, the family must have income (after medical expenses and some limited deductions) of less than 56.2 percent of the poverty line.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

Moreover, Pennsylvania has a restrictive general cash assistance program. This assistance for single people and childless couples who are neither elderly nor disabled is available only three months a year, unless recipients are more than 45 years old.

One of Pennsylvania's distinctions is that in some parts of the state it has the highest combined state and local income tax burden on poor households of any part of the United States. This burden reflects both the structure of the state income tax and the existence of local income taxes that take a high proportion of the income of the poor. A family of four in Philadelphia that earns $10,000 a year (and thus falls $2,000 below the poverty line) must pay $707 a year in state and local income tax. Many other states (including New York and Maryland) completely exempt families with income below $10,000 from paying income tax. On top of these heavy income tax burdens, Pennsylvania imposes a regressive six percent sales tax without providing a sales tax rebate for low-income households. Furthermore, while Pennsylvania has a "circuitbreaker" program to provide property tax relief for low-income households, it is limited to the elderly, thus excluding all other households, including poor families with children.

Pennsylvania's low-rent housing shortage also constitutes a serious problem. In 1985, the number of very low-income households in Pennsylvania exceeded the number of very low-rent units by nearly 75 percent.

These and other aspects of the Pennsylvania safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for some two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and

localities, general assistance for singles and childless couples. All of these categories of poor households may be eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Pennsylvania well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Pennsylvania does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Pennsylvania:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $382 per month, or $4,584 per year. This AFDC benefit equals 50.5 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line for 1987).

- This AFDC benefit level for a family of three ranks [illegible] in all states.[3]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $293 per month. At most, AFDC and food stamp benefits combined can equal 76.1 percent of the poverty line.[4] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a family of three without any income, AFDC benefit payments equal only 62.2 percent of the state's "need standard." [illegible] AFDC need standard, which theoretically reflects how much a family

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2. Pennsylvania has different benefit levels for four different regions. These figures are for the region with the highest benefit levels.

3. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

4. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

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necessary to meet a minimal standard of living in that state.) Pennsylvania last raised its need standard in 1985.

- For a single-parent family of *four* without any income, maximum AFDC benefits are $5,592 per year, which equals 48.1 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 49.0 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Pennsylvania who incurs deductible child care costs of $106 a month,[5] earnings of $583 a month -- equal to 77.1 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Pennsylvania:

- For a single mother with two children who does *not* get a child care deduction, earnings of $477 a month -- equal to 63.1 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

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5. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

- Pennsylvania provides AFDC emergency assistance, but on a very limited basis The average monthly caseload in 1987 was only 59.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- Pennsylvania has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage. (Two-parent families in which neither parent was recently employed are also excluded.)

- In 1986, only 6.1 percent of the AFDC caseload in Pennsylvania consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27

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6. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[7] Moreover, even though Pennsylvania supplements SSI, the combined SSI assistance is insufficient to lift elderly and disabled individuals out of poverty.

In Pennsylvania:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[8]

- Pennsylvania supplements the basic federal SSI grant by $32 a month for an individual and $49 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 81.8 percent of the poverty line for an individual and 97.5 percent for a couple.

- The value of the state supplement, after adjustment for inflation, declined by 30.5 percent for an individual and 29.1 percent for a couple from 1974 (the year SSI started) to 1987.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $33 per month for an individual and $49 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 89.0 percent of the poverty line for individuals and 105.9 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social

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7. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

8. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Pennsylvania:

- There is a state general assistance program serving needy people.
- Benefit levels vary depending upon a county's cost-of-living. In most counties, for a household without any income, the monthly benefits are $186 for one person or $287 for a two-person household, which are equal to 38.6 percent and 46.5 percent of the respective poverty lines for these households.
- Benefits can be provided for a maximum of three months in a year, unless the recipients are over 45 years old.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage, but those who receive assistance can receive aid through Pennsylvania's medical assistance program.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many poor two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and for children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Pennsylvania extends Medicaid coverage to all income-eligible children under 21 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a Medically Needy program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Pennsylvania, a family of three with a monthly countable income of less than $425, after deducting medical expenses, is eligible for Medicaid.[9] This income eligibility limit is equal to 56.2 percent of the poverty line for a family of three.

Another key option is the SOBRA[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the

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9. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

10. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Pennsylvania has a SOBRA program, with an income eligibility limit equal to the federal poverty level.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Pennsylvania covered 16 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Important items and services *not* covered by the Medicaid program in Pennsylvania included eyeglasses. (Coverage in Pennsylvania is more limited for those who qualify for Medicaid under the Medically Needy option. Only 12 of 32 state options are provided; additional options not covered include prescribed drugs.)

The provisions of the Medicaid program in Pennsylvania are especially noteworthy because in 1985 the state infant mortality rate was 11.0 per thousand births, which was above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, including Pennsylvania, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have

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11. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

the option of adopting a Medically Needy program for the elderly and disabled. Some 34 states have done so.

- Pennsylvania has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $375, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 82.5 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the SOBRA law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Pennsylvania has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Pennsylvania does not pay for services such as private duty nursing and physical therapy.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Pennsylvania.

Recipients of state general assistance, however, may receive health care coverage under Pennsylvania's state-funded medical assistance ("MA") program. The MA program provides coverage comparable to Medicaid. Poor singles and childless couples who do not receive general assistance often do have health care coverage.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Pennsylvania:

- 43.1 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Pennsylvania ranked sixth among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 52.3 percent of the unemployed in Pennsylvania received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Pennsylvania:

- Average unemployment insurance benefits equaled 42.4 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Pennsylvania, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	24.9%
Corporation net income	9.0
General sales	30.3
Selective sales	19.4
License	10.6
Other taxes	5.7

As the table indicates, Pennsylvania collects 33.9 percent of its revenue through the state individual and corporate income taxes. This is less than the 36.6 percent of revenue raised through income taxes in the typical (or median) state with an individual income tax.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

In Pennsylvania:

- If a two-parent family of four earns $10,000 a year, it will owe state income taxes of $216. By contrast, in the typical (or median) state with an income tax, such a family has a tax liability of $31.

- The income tax burden for a family at this income level is the third highest in the nation.

- A two-parent family of four will begin to owe income taxes when its income reaches $8,000, which is 65.4 percent of the estimated 1988 poverty line. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.

- In Pennsylvania, the poor with earnings may also be subject to substantial *local* income taxes. For example, Philadelphia has an especially high local wage tax, equal to 4.96 percent of wages without any deductions or exemptions; thus, a four-person family with earnings equal to $10,000 would pay $496 in local wage taxes in addition to $211 in state income taxes. The total state and local income tax for such a family would equal $707. In Pittsburgh, the local income tax is 2.125 percent, resulting in a total state and local income tax burden of $424 for a family of four with income of $10,000.

For poor households in Pennsylvania, the sales tax burden is also heavy. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Pennsylvania:

- The sales tax rate was 6.0 percent in 1987. In the typical state with a general sales tax, the sales tax rate was five percent.

- Some 30.3 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Pennsylvania:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Pennsylvania does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Pennsylvania has a circuitbreaker program.[12]
- Eligibility for the circuitbreaker is limited to elderly or disabled homeowners and renters; thus it fails to assist the nonelderly and nondisabled.
- The average annual benefit from the circuitbreaker in Pennsylvania was $223 in 1985, and benefits could be extended to elderly and disabled households with incomes up to $15,000.

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12. Circuitbreaker information is from 1985.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 189,449 renter households in Pennsylvania received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in Pennsylvania totalled 564,120. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 33.6 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 33.6 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the

number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[13] In Pennsylvania:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by *73.6 percent*. This represented a shortage of 153,305 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Pennsylvania does have a $20 million state housing and development assistance program, but the size of this program pales in comparison to the size of the low-income housing shortage.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

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13. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Pennsylvania's share of the federal LIHEAP appropriation equaled 24.2 percent of the estimated total heating and cooling costs[14] of all low-income households in Pennsylvania which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Pennsylvania, an estimated 49.6 percent of those who are eligible are served under the federally-funded WIC program.[15]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Pennsylvania supplements the WIC program, bringing the overall percentage of WIC eligibles who are served to 56.6 percent.

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14. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

15. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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RHODE ISLAND

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Rhode Island Highlights

Estimated poverty rate, 1985	9.0%
Estimated number of poor, 1985	87,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	63.4%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	85.7%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	83.8%
Percentage of unemployed receiving unemployment insurance, 1986	62.4%
Percentage of state tax revenue from individual and corporate income tax, 1986	40.0%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	no	26
SSI state supplement	yes	27
Statewide general assistance	yes	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	yes	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	no	10
Covers renters	yes	25

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*Data are from 1987, except where otherwise noted.

RHODE ISLAND

An estimated 9.0 percent of the population of Rhode Island, or 87,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

Many of those who are poor in Rhode Island receive government assistance. But their eligibility and the level of assistance are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of aid that is not sufficient to lift them out of poverty.

Although Rhode Island has a stronger system of government assistance to the poor than most other states, its safety net still has sizable holes. The combined value of maximum AFDC and food stamp benefits leaves a recipient family without other income well below the poverty line, in part because AFDC benefits for families without other income have declined 28.9 percent since 1970, after adjusting for inflation. For all members of a three-person family with children to be eligible for Medicaid, the family must have income (after medical expenses and some limited deductions) of less than 83.8 percent of the poverty

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

line. Rhode Island, moreover, only provides 12 of 32 Medicaid services that are state options.

In addition, state general cash assistance goes only to the disabled, leaving low-income single individuals and childless couples who are neither elderly nor disabled without this aid. These types of households are also unlikely to receive health care coverage.

Rhode Island has a circuitbreaker program to provide property tax relief to low income households, but its program is one of twelve in the country that is limited to the elderly, thus failing to ease the property tax burdens of poor nonelderly households. Of particular concern is that low-income households are confronted with a serious shortage of low-rent housing. In 1985, the number of very low-income renter households was more than double the number of very low-rent units.

These and other aspects of the Rhode Island safety net will be discussed in this analysis.

For an overview of the situation in Rhode Island, see the "Highlights."

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Rhode Island below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Rhode Island does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Rhode Island:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $479 per month, or $5,748 per year. This AFDC benefit equals 63.4 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 12th out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $169 per month. At most, AFDC and food stamp benefits combined can equal 85.7 percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $6,552 per year, which equals 56.3 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 28.9 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Rhode Island who incurs deductible child care costs of $106 a month,[4] earnings of $680 a

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

4. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or

month -- equal to 89.9 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Rhode Island:

- For a single mother with two children who does *not* get a child care deduction, earnings of $574 a month -- equal to 76.0 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Rhode Island does *not* provide AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[5] Some 28 states have such a program (known as "AFDC-UP").

- Rhode Island has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986, only 0.6 percent of the AFDC caseload in Rhode Island consisted of two-parent families.

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disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

5. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[6]

In Rhode Island:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[7]

- Rhode Island supplements the basic federal SSI grant by $56 a month for an individual and $106 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 87.1

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6. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

7. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

percent of the poverty line for an individual and 107.4 percent for a couple.

- The value of the state supplement, after adjustment for inflation, declined by 34.3 percent for an individual and 32.3 percent for a couple from 1974 (the year SSI started) to 1987.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $26 per month for an individual and $32 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 92.7 percent of the poverty line for individuals and 112.9 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Rhode Island:

- There is a state general assistance program, but it serves only disabled people. Thus nondisabled, nonelderly singles and childless couples who are poor are left without any cash assistance (unless they are receiving unemployment insurance).

- For a household without any income, the monthly benefits are $65 for one person or $89 for a two-person household, which are equal to

13.5 percent and 14.4 percent of the respective poverty lines for these households.[8]

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

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8. Rhode Island has one benefit schedule for winter and one for summer. The figures cited are for the summer schedule for those who are homeowners or rent their own homes. Winter benefits are about $4 per month higher.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many poor two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Rhode Island extends Medicaid coverage to all income-eligible children.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses

($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Rhode Island, a family of three with a monthly countable income of less than $633, after deducting medical expenses, is eligible for Medicaid.[9] This income eligibility limit is equal to 83.8 percent of the poverty line for a family of three.

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Rhode Island has a SOBRA program, with an income eligibility limit equal to the federal poverty level.[12]

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9. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

10. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

11. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

12. In addition, under Rhode Island's new RIte Start program, the state provides prenatal care, delivery, and post-partum services to pregnant women without health insurance and with family income below 185 percent of the poverty line.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Rhode Island covered 12 out of 32 possible optional Medicaid items and services, which is less than the 21 options covered in the median state. Important services *not* covered by the Medicaid program in Rhode Island included emergency hospital services and occupational therapy. (Only 10 options were covered for households eligible for Medicaid under the Medically Needy program. One additional item not covered for these households was provision of eyeglasses.)

Elderly and Disabled

In most states, including Rhode Island, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Rhode Island has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $492, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 108.2 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Rhode Island has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option, although the high coverage level of the Medically Needy program may make this provision irrelevant.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Rhode Island does not pay for services such as diagnostic,

screening, and preventive services other than those specifically provided for under the Medicaid plan.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Rhode Island.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Rhode Island:

- Some 62.4 percent of the unemployed received unemployment insurance benefits in an average month in 1986.

- Rhode Island ranked second among all states by this measure.

- The strength of unemployment insurance coverage was down from 1979 when 71.1 percent of the unemployed in Rhode Island received unemployment insurance benefits in an average month.

Unemployment insurance benefits generally replace half or less of the wages an unemployed worker previously earned. In Rhode Island:

- Average unemployment insurance benefits equaled 39.4 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Rhode Island, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	32.4%
Corporation net income	7.6
General sales	32.9
Selective sales	20.1
License	3.9
Other taxes	3.1

As the table indicates, Rhode Island collects 40.0 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes.

In Rhode Island:

- A two-parent family of four will begin to owe income taxes when its income reaches $15,100 (which is well above the estimated 1988 poverty line).

For poor households in most states, sales tax burdens can be heavy. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Rhode Island:

- The sales tax rate was 6.0 percent in 1987. In the typical state with a general sales tax, the sales tax rate was five percent.

- Some 32.9 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Rhode Island:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Rhode Island does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Rhode Island has a circuitbreaker program.[13]
- Eligibility for the circuitbreaker is limited to elderly homeowners and renters; thus it fails to assist the nonelderly.
- The average annual benefit from the circuitbreaker in Rhode Island was $177 in 1985, and benefits could be extended to elderly households with incomes up to $12,500.

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13. Circuitbreaker information is from 1985.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 32,398 renter households in Rhode Island received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in Rhode Island totalled 63,370. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 51.1 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 51.1 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the

number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[14]

In Rhode Island:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by *106.4 percent*. This represented a shortage of 20,500 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low-rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing

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14. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers households with incomes at or below 50 percent of the median income of *all* renter households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Rhode Island's share of the federal LIHEAP appropriation equaled 23.4 percent of the estimated total heating and cooling costs[15] of all low-income households in Rhode Island which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

Rhode Island does have a pilot program in one part of the state that helps fill the energy assistance gap and helps prevent utility shutoffs. The program is integrated with the federal low-income energy assistance program and uses the same income eligibility criteria. On a monthly basis, households pay a fixed percentage of their income -- ranging from four percent to eight percent depending on household size -- towards their primary heat source and for non-heat energy usage. In turn, as long as these payments are made, their utility service is assured. The program currently operates only in Warwick.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Rhode Island, an estimated 56.5 percent of those who are eligible are served under the federally-funded WIC program.[16]

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15. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

16. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Rhode Island does *not* supplement the WIC program.[17]

17. Rhode Island does have a WIC "contingency fund" of $200,000 which may be used to cover WIC costs if the state overspends its federal WIC grant for a fiscal year. To the best of our knowledge, Rhode Island has not had to dip into the contingency fund and spend state money for WIC.

General Assistance Levels -- Correction

The report mistakenly understates the levels of benefits provided to disabled people under Rhode Island's general cash assistance program. What it characterizes as *monthly* benefit figures are in fact *weekly* benefit figures.

The report (pp. 6-7) states that in the summer maximum general assistance payments are $65 *per month* for an individual and $89 *per month* for a two-person household, which are equal to 13.5 percent and 14.4 percent of the respective poverty lines for these households. However, the benefit levels of $65 and $89 are actually *weekly* figures. The *correct monthly* figures are approximately $279 for an individual (57.9 percent of the poverty line) and $382 for a two-person household (61.9 percent of the poverty line). These calculations used a factor of 4.3 for converting from weeks to months; this is the standard conversion factor used by the federal food stamp program.

Similarly, Footnote 8 mistakenly states that winter benefits are about $4 higher *per month* than summer benefits. In fact, winter benefits are about $4 higher *per week* or approximately $17 higher *per month*.

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SOUTH CAROLINA

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

South Carolina Highlights

Estimated poverty rate, 1985	15.2%
Estimated number of poor, 1985	507,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	26.5%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	56.6%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	51.3%
Percentage of unemployed receiving unemployment insurance, 1986	28.3%
Percentage of state tax revenue from individual and corporate income tax, 1986	36.6%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	no	26
SSI state supplement	no	27
State general assistance	no**	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	no	4
Medicaid Medically Needy program	no	36
Property tax circuitbreaker, 1985	no	31

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*Data are from 1987, except where otherwise noted.

**A program does exist, but it is so limited in scope that in a sample month it served only 25 people.

SOUTH CAROLINA

An estimated 15.2 percent of the population of South Carolina, or 507,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in South Carolina, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who receive assistance are unlikely to be lifted out of poverty by it.

Although South Carolina has taken some significant steps in recent years to strengthen policies that aid the poor, including major education reforms not discussed here, the safety net for poor people contains some large holes. While South Carolina in 1985 adopted the "AFDC-UP" program, which extends AFDC benefits to some poor two-parent households with an unemployed worker, the state's level of AFDC cash assistance is low, ranking 45th among all states and the District of Columbia. A family of three with no other income receives a maximum AFDC benefit of $200 a month, which equals 26.5 percent of the poverty line.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

For all members of a three-person family to be eligible for Medicaid, the family must have income of less than 51.3 percent of the poverty line. The state does not elect the Medicaid option that would extend coverage to poor families whose gross income is above this level, but who incur high medical expenses that leave them as poor as families receiving AFDC benefits. In a positive step, South Carolina has adopted the new Medicaid option that extends coverage to pregnant women and young children who live in families with incomes up to the poverty line.

Elderly and disabled people who are poor in South Carolina can receive the basic federal SSI grant, but this leaves them below the poverty line. South Carolina is not one of the 27 states that supplements SSI benefits to bring the elderly and disabled poor closer to or above the poverty line.

There is no state general cash assistance for poor single individuals and childless couples who are neither disabled nor elderly.

Moreover, only 28.3 percent of unemployed South Carolinians received unemployment insurance in 1986. For poor unemployed workers who do not qualify for or have exhausted their unemployment benefits, the safety net is very limited. They may be ineligible for virtually all cash assistance, regardless of the degree of their poverty.

These and other aspects of the South Carolina safety net will be discussed in this analysis.

The first part of the analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC supplemental food program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families (although adoption of an AFDC-UP program by a state narrows this difference for two-parent families). Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these

categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in South Carolina well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. South Carolina does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In South Carolina:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $200 per month, or $2,400 per year. This AFDC benefit equals 26.5 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 45th out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $228 per month. At most, AFDC and food stamp benefits combined can equal 56.6 percent of the poverty line.[3]

  However, one of every five AFDC households in South Carolina does not receive food stamps. South Carolina's food stamp participation rate for AFDC households is below the national average.[4]

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

4. According to a recent study by the General Accounting Office (GAO), 79.5 percent of AFDC households in South Carolina received food stamps in fiscal year 1986, while 20.5 percent -- or 9,454 AFDC households -- did not. Nationwide, 83.4 percent of AFDC households received food stamps. Households in which all

- For a family of three without any income, AFDC benefit payments equal 51.5 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $2,880 per year, which equals 24.8 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 20.2 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in South Carolina who incurs deductible child care costs of $106 a month,[5] earnings of $580 a month -- equal to 76.7 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In South Carolina:

- For a single mother with two children who does *not* get a child care deduction, earnings of $474 a month -- equal to 62.7 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency

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members are covered by an AFDC grant are automatically eligible for food stamps; in South Carolina, 89.6 percent of such households received food stamps, while 10.4 percent did not. Among households consisting of both AFDC family members and other persons who live with them, 72.7 percent received food stamps in South Carolina.

5. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- South Carolina does not provide AFDC emergency assistance.

Two-Parent Families with Children

Federal law give states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- South Carolina has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986, only 1.1 percent of the AFDC caseload in South Carolina consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

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6. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[7]

In South Carolina:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[8] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.

- South Carolina does *not* supplement the basic federal SSI grant.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient

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7. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

8. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In South Carolina:

- There is a state general assistance program serving disabled people, but eligibility requirements are so restrictive that as of October 1987 only 25 persons were on the rolls. Nondisabled, nonelderly singles and childless couples who are poor are left without any cash assistance (unless they are receiving unemployment insurance).

- For a household without any income, the monthly benefits is $27 for one person, which is equal to 5.6 percent of the poverty line for this household. Benefits are provided only on a temporary basis.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of eligibility provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on the limited state medical assistance program for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many poor two-parent families do not receive AFDC benefits. (For example, two-parent families with a full-time worker are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- South Carolina extends Medicaid coverage to all income-eligible children under 18 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- South Carolina is one of 14 states that does *not* have a Medically Needy program. Consequently, the Medicaid income eligibility limit in South Carolina is the same as the AFDC income eligibility limit, which is 51.3 percent of the three-person poverty level. (The state had a Medically Needy program from 1984 to 1987, but it was eliminated in March 1987.)

Another key option is the **SOBRA**[9] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the

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9. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[10]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- South Carolina has a SOBRA program, with an income eligibility limit equal to the federal poverty level. However, instead of covering children up to their second birthday as allowed by federal law, the South Carolina program covers children up to their first birthday.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, South Carolina covered 17 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Services *not* covered by the Medicaid program in South Carolina included occupational therapy and services for speech, language, and hearing disorders.

The provisions of the Medicaid program in South Carolina is especially noteworthy because in 1985 the state infant mortality rate was 14.2 per thousand births, which was above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, including South Carolina, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have

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10. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- South Carolina does *not* have a Medically Needy program for the low-income elderly and disabled.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- South Carolina has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in South Carolina does not pay for items and services such as dentures and physical therapy.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in South Carolina.

Medically Indigent Programs

Poor singles and childless couples who are neither elderly nor disabled, as well as other impoverished households that do not receive Medicaid coverage, may receive some health care assistance from South Carolina's Medically Indigent Assistance Fund. This state program covers low-income medically indigent households that are not covered by Medicaid or Medicare, but assistance under the program is limited to in-patient hospital services. No other health care services are covered.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income

energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial program discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In South Carolina:

- Some 28.3 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- South Carolina ranked 34th among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 35.3 percent of the unemployed in South Carolina received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In South Carolina:

- Average unemployment insurance benefits equaled 32.4 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum

period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of the income of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In South Carolina, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	31.4%
Corporation net income	5.2
General sales	38.5
Selective sales	17.9
License	5.5
Other taxes	1.5

As the table indicates, South Carolina collects 36.6 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes.

In South Carolina:

- A two-parent family of four will begin to owe income taxes when its income reaches $12,800 (which is above the estimated 1988 poverty line).

While income tax burdens on the poor in South Carolina generally are not significant, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In South Carolina:

- The sales tax rate was 5.0 percent in 1987.

- Some 38.5 percent of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In South Carolina:

- Food was *not* exempt from taxation. (There is a notable exception: federal law requires that purchases made with food stamps be exempt from the sales tax.) Utilities were exempt from the sales tax.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- South Carolina does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and

administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreaker cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- South Carolina does *not* have a circuitbreaker program.[11]

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 45,692 renter households in South Carolina received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

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11. Circuitbreaker information is from 1985.

- Yet in 1983, the number just of "very low-income" renter households residing in South Carolina totalled 156,080. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 29.3 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 29.3 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[12] In South Carolina:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 24.2 percent. This represented a shortage of 17,079 very low-rent units. (The shortage, moreover, is understated, because some of the very low rent units were rented by households that did not have very low incomes.)

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

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12. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, South Carolina's share of the federal LIHEAP appropriation equaled 11.2 percent of the estimated total heating and cooling costs[13] of all low-income households in South Carolina which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

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13. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

- In South Carolina, an estimated 57.7 percent of those who are eligible are served under the federally-funded WIC program.[14]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- South Carolina does not supplement the WIC program.

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14. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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SOUTH DAKOTA

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

South Dakota Highlights

Estimated poverty rate, 1985	17.3%
Estimated number of poor, 1985	122,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	48.4%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	74.6%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	48.4%
Percentage of unemployed receiving unemployment insurance, 1986	21.0%
Percentage of state tax revenue from individual and corporate income tax, 1986	5.8%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no	28
AFDC emergency assistance	no	26
SSI state supplement	yes	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	no	32
Medicaid "SOBRA" option		
Pregnant women and children	no	25
Elderly and disabled	no	4
Medicaid Medically Needy program	no	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	no	10
Covers renters	no	25

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*Data are from 1987, except where otherwise noted.

SOUTH DAKOTA

An estimated 17.3 percent of the population of South Dakota, or 122,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in South Dakota, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of aid that leaves them below the poverty line.

The safety net for poor people in South Dakota contains some large holes. The maximum AFDC benefit provided to a mother and two children with no other income equals less than half (48.4 percent) of the poverty line. From 1970 to 1987, AFDC benefit levels for impoverished families without other income plunged 53 percent in South Dakota, after adjusting for inflation, the third steepest decline of any state. In addition, more than one of every four AFDC families in South Dakota does not receive food stamps. The food stamp participation rate by AFDC families is lower in South Dakota than in all but five other states.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

South Dakota has elected not to provide AFDC benefits to two-parent families with children who are poor, unlike 28 other states that provide this coverage. South Dakota also lacks an AFDC emergency assistance program, which is used in a number of other states to provide aid to some homeless families with children and other families facing emergencies.

Medicaid eligibility is especially tightly constrained, with many poor households left outside the program. South Dakota is one of only seven states in the nation that has failed to adopt any of four key Medicaid options that provide health care coverage to members of poor families with children who do not receive AFDC benefits. More than half of the states extend Medicaid coverage to pregnant women and infants with incomes up to the poverty line, but South Dakota does not. The state's Medicaid eligibility limit (for a family of three) is set at 48.4 percent of the poverty line, making many poor families, including pregnant women and infants well below the poverty line ineligible for health care coverage. Moreover, unlike most other states, South Dakota has chosen not to provide Medicaid to poor families with children that have such high medical expenses that their income after medical costs makes them poorer than families on welfare. Finally, adults in two-parent families and many of their children are ineligible for Medicaid, no matter how poor they are.

The elderly and disabled poor in South Dakota may receive the basic federal SSI benefit and a state supplemental benefit, but South Dakota's state supplement is very small --$15 a month for a poor elderly individual. As a result, combined federal and state SSI benefits fall well below the poverty line.

In addition, there are no state standards for cash assistance to poor single individuals and childless couples who are neither elderly nor disabled, with the level of any such assistance that is provided left up to each county. These types of households are also unlikely to receive health assistance.

Unemployment insurance coverage is also limited. In 1986, only about one in every five (21 percent) unemployed workers received unemployment benefits in an average month. This was the third lowest unemployment coverage rate of any state in the nation. For unemployed two-parent families and their children that do not qualify for or have exhausted their unemployment benefits (as well as for jobless single individuals and childless couples in this situation who are not elderly or disabled), little or no safety net exists. They are ineligible for virtually any cash assistance, and in most cases for health care coverage as well, regardless of how poor they may be.

While the benefits that South Dakota provides to its low-income population are limited, the state imposes significant tax burdens on this population. There is no state income tax (the income tax tends to be the least burdensome tax to the poor), and the state relies heavily on a sales tax that is highly regressive. South Dakota is one of only seven states that fails to exempt either food or utilities from the sales tax. While the state does have a sales tax credit program and a property tax "circuitbreaker" for low-income households, both of these relief programs are restricted to the elderly and disabled. For poor families with children, no such tax relief is provided.

These and other aspects of the South Dakota safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in South Dakota well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. South Dakota does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In South Dakota:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $366 per month, or $4,392 per year. This AFDC benefit equals 48.4 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 22nd out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $198 per month. At most, AFDC and food stamp benefits combined can equal 74.6 percent of the poverty line.[3]

  However, more than one of every four AFDC households in South Dakota does not receive food stamps. South Dakota's food stamp participation rate for AFDC households is the sixth lowest in the nation.[4]

- For a single-parent family of *four* without any income, maximum AFDC benefits are $4,896 per year, which equals 42.1 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 53.4 percent -- or more than half -- from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

4. According to a recent report by the U.S. General Accounting Office, 72.8 percent of AFDC households in South Dakota received food stamps in fiscal year 1986, while 27.2 percent did not. The national average participation rate for AFDC households was 83.4 percent.

Households in which all members were covered by an AFDC grant are automatically eligible for food stamps. In South Dakota, 85.9 percent of such households received food stamps, compared to 93.7 percent nationwide. Among households consisting both of AFDC family members and of other persons residing with them, 55.3 percent received food stamps in South Dakota, compared to 66.1 percent nationwide.

only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in South Dakota who incurs deductible child care costs of $106 a month,[5] earnings of $567 a month -- equal to 75.0 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In South Dakota:

- For a single mother with two children who does *not* get a child care deduction, earnings of $461 a month -- equal to 61.0 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- South Dakota does not provide AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- South Dakota does *not* have an AFDC-UP program.

Since there is no AFDC-UP program in South Dakota, employable two-parent families with an unemployed primary earner are ineligible for state cash

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5. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

6. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

assistance, other than unemployment insurance benefits, which are available only to a minority of the unemployed.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[7] Moreover, even though South Dakota supplements SSI, the combined SSI assistance is insufficient to lift elderly and disabled individuals out of poverty.

In South Dakota:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[8]

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7. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

8. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

- South Dakota supplements the basic federal SSI grant by $15 a month for an individual and $15 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 78.1 percent of the poverty line for an individual and 91.5 percent for a couple. (Twenty-one of the other 26 states that supplement SSI provide higher supplement levels.)

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $38 per month for an individual and $59 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 86.4 percent of the poverty line for individuals and 101.8 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In South Dakota:

- There are no state standards for the provision of general assistance. Counties can establish their own programs but are subject to no requirements to provide any particular minimum level of assistance or to meet any minimum coverage standards.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or

childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though South Dakota does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- South Dakota does not provide Medicaid coverage to two-parent families who meet its AFDC income eligibility requirements.

Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of

federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since two-parent families in South Dakota are not otherwise eligible for Medicaid benefits.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- South Dakota extends Medicaid coverage only to some income-eligible children under 21 years of age. It is one of 19 states that has chosen to restrict this coverage to small groups of children.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- South Dakota is one of 14 states that does *not* have a Medically Needy program. Consequently, the Medicaid income eligibility limit in South Dakota is the same as the AFDC income eligibility limit, which is only 48.4 percent of the three-person poverty level.

Another key option is the SOBRA[9] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[10]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- South Dakota does *not* have a SOBRA program.

South Dakota is one of seven states that has adopted *none* of the four Medicaid options described above: coverage of two-parent families, coverage of Ribicoff children, a Medically Needy program, and SOBRA coverage of pregnant women and young children. In contrast, 41 states have adopted two or more of these options.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, South Dakota covered 16 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state.

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9. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

10. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

Important items and services *not* covered by the Medicaid program in South Dakota included eyeglasses and occupational therapy.

Elderly and Disabled

In most states, all of the elderly and disabled who receive SSI payments are eligible for Medicaid, but this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor household receives SSI.

By federal law, recipients of the *federal* SSI grant are automatically eligible for Medicaid. South Dakota, however, is one of a few states that has chosen not to confer automatic Medicaid eligibility on people who only receive *state* supplemental SSI benefits.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- South Dakota does *not* have a Medically Needy program for the low-income elderly and disabled.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- South Dakota has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide for the services mentioned above, Medicaid in South Dakota does not pay for services such as rehabilitative services and diagnostic, screening, and preventive services other than those specifically provided for through the plans.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage

if their incomes are below the Medicaid income eligibility threshold in South Dakota.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In South Dakota:

- 21.0 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- South Dakota ranked 49th among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 30.4 percent of the unemployed in South Dakota received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In South Dakota:

- Average unemployment insurance benefits equaled 40.8 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

The low level of unemployment insurance coverage in South Dakota is of particular significance for poor individuals and families given the absence of an AFDC-UP program for two-parent families and the absence of a state general cash assistance program (there are county-based general cash assistance programs). As a result, in households without an elderly or disabled person, unemployed single people as well as childless couples or two-parent families with an unemployed worker are unlikely to receive cash assistance from any level of government, no matter how poor they are.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In South Dakota, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	0.0%
Corporation net income	5.8
General sales	49.3
Selective sales	29.8
License	10.8
Other taxes	4.3

South Dakota is one of 10 states without a broad-based individual income tax. This usually leads to a state tax system that relies primarily on regressive taxes and increases overall tax burdens on low-income people.

For poor households in most states, sales tax burdens are heavy. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In South Dakota:

- The sales tax rate was 5.0 percent in 1987. It was reduced to 4.0 percent in 1988.

- Some 49.3 percent of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In South Dakota:

- Food and utilities were *not* exempt from taxation. (There is a notable exception. Federal law requires that purchases made with food stamps be exempt from the sales tax.)

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- South Dakota has a sales tax credit for low-income households, but it is restricted to the elderly and the disabled.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax

burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- South Dakota has a circuitbreaker program.[11]
- However, South Dakota has one of the six most restrictive circuitbreakers in the country. Eligibility for the South Dakota circuitbreaker is limited to elderly and disabled homeowners. All low-income renter households and all low-income homeowners who are not elderly or disabled are ineligible.
- By contrast, 25 of the other 30 states with circuitbreaker programs do cover renters, and 10 states also cover households which are neither elderly nor disabled.
- The average annual benefit from the circuitbreaker in South Dakota was $111 in 1985, and benefits could be extended to eligible households with incomes up to $7,375.

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11. Circuitbreaker information is from 1985.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 16,827 renter households in South Dakota received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in South Dakota totalled 35,230. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 47.8 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 47.8 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the

number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[12] In South Dakota:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 29.1 percent. This represented a shortage of 4,786 very low-rent units. (The shortage is understated, because some of the very low-rent units were rented by households that did not have very low incomes.)

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low-rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing

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12. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, South Dakota's share of the federal LIHEAP appropriation equaled 29.5 percent of the estimated total heating and cooling costs[13] of all low-income households in South Dakota which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In South Dakota, only an estimated 41.8 percent of those who are eligible are served under the federally-funded WIC program.[14]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- South Dakota does *not* supplement the WIC program.

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13. Heating and cooling costs average less than half of the total energy costs of low-income households (on a national basis).

14. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

South Dakota is one of 14 states that has a federally funded Commodity Supplemental Food Program which has a target population similar to that of WIC. However, it operates only on the Oglala Sioux Reservation, where it serves 1,732 participants. The WIC participation rate mentioned above accounts for these CSFP participants.[15]

15. CSFP participants are ineligible for the WIC program; therefore, the Center adjusted USDA's 1984 WIC eligible pool by subtracting out CSFP participants who otherwise meet WIC eligibility criteria.

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TENNESSEE

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Tennessee Highlights

Estimated poverty rate, 1985	18.1%
Estimated number of poor, 1985	863,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	21.0%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	51.2%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	46.7%
Percentage of unemployed receiving unemployment insurance, 1986	24.7%
Percentage of state tax revenue from individual and corporate income tax, 1986	10.3%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no	28
AFDC emergency assistance	no	26
SSI state supplement	no	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	no	31

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*Data are from 1987, except where otherwise noted.

TENNESSEE

An estimated 18.1 percent of the population of Tennessee, or 863,000 people, lived in poverty in 1985,[1] making it one of the poorest states in the nation. This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Tennessee, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance generally receive a level of aid that leaves them well below the poverty line.

The portion of the safety net for poor people in Tennessee that consists of cash assistance programs is among the weakest in the nation. Tennessee's level of AFDC cash to single-parent households ranks 49th among all states and the District of Columbia. The maximum AFDC benefit for a mother and two children with no other income is $159 a month, which equals one-fifth (21 percent) of the poverty line. From 1970 to 1987, AFDC benefits for impoverished families without other income fell by nearly half (48.5 percent) after adjusting for inflation, the eighth steepest decline of any state. If food stamps are counted as income and

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

added in, maximum AFDC and food stamp benefits combined lift a family to only about half of the poverty line.

In addition, Tennessee has elected not to provide AFDC benefits or health care coverage to two-parent families with children who are poor, unlike the majority of other states that provide this coverage. Tennessee also lacks an AFDC emergency assistance program, which is used by a number of other states to provide aid to some homeless families with children and other families facing emergencies. There is no state general cash assistance program for single individuals and childless couples who are poor but who are neither elderly nor disabled. Whether they receive any aid and the level of such aid is left up to the counties.

Medicaid eligibility is constrained overall, with many poor families left outside the program. For all members of a single-parent family of three to receive Medicaid, the family must have income (after medical expenses and some limited deductions) of less than 46.7 percent of the poverty line. Single individuals and childless couples who are neither elderly nor disabled are especially unlikely to receive health care coverage. In a positive step, Tennessee has adopted the new option that extends Medicaid coverage to pregnant women and young children who live in families with incomes up to the poverty line.

Elderly and disabled people who are poor may receive the basic federal SSI grant, but this leaves them below the poverty line. Twenty-seven states supplement the basic SSI grant so that elderly and disabled poor may be brought closer to or above the poverty line. Tennessee is not one of these states.

Unemployment insurance coverage is limited. In 1986, just 24.7 percent of unemployed Tennesseeans -- one in four -- received unemployment insurance in an average month, one of the lowest state unemployment insurance coverage rates in the nation. The combination of restrictive unemployment insurance coverage, the lack of AFDC-UP for two-parent families, and the absence of a state general assistance program for single individuals and childless couples means that many unemployed workers and their families are not eligible for any cash assistance, unless they are single parents or elderly or disabled people.

While Tennessee provides limited aid to its poor citizens, it does impose significant tax burdens on them. Tennessee has no state income tax (income taxes are generally less burdensome to the poor than other taxes), and the state relies heavily on sales taxes, which tend to be highly regressive. Tennessee is one of 17 states with a sales tax that does not exempt food from the tax. The state also lacks a circuitbreaker program to ease the weight of property taxes on low-income households; 31 states have such a program.

These and other aspects of the Tennessee safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment

insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Tennessee well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Tennessee does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Tennessee:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $159 per month, or $1,908 per year. This AFDC benefit equals 21.0 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).
- This AFDC benefit level for a family of three ranks 49th out of all states.[2]
- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $228 per month.

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

At most, AFDC and food stamp benefits combined can equal 51.2 percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a family of three without any income, AFDC benefit payments equal only 45.0 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $2,328 per year, which equals 20.0 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 48.5 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Tennessee who incurs deductible child care costs of $106 a month,[4] earnings of $554 a month -- equal to 73.3 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs.

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3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

4. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

In Tennessee:

- For a single mother with two children who does *not* get a child care deduction, earnings of $448 a month -- equal to 59.3 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Tennessee does not provide AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[5] Some 28 states have such a program (known as "AFDC-UP").

- Tennessee does *not* have an AFDC-UP program.

Since there is no AFDC-UP program in Tennessee, two-parent families with an unemployed primary earner are ineligible for cash assistance, other than unemployment insurance benefits, which are available only to a minority of the unemployed. In some states, county general assistance programs do offer aid to two-parent families, but two-parent families are typically excluded from such aid.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

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5. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[6]

In Tennessee:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[7]

- Tennessee does *not* supplement the basic federal SSI grant.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient

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6. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

7. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Tennessee:

- There are no state standards for the provision of general assistance. Counties can establish their own programs but are subject to no requirements to provide any particular minimum level of assistance or to meet any minimum coverage standards. Some counties provide little or no assistance.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may

receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though Tennessee does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- Tennessee does *not* provide Medicaid coverage to two-parent families who meet its AFDC income eligibility requirements.

Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since two-parent families are not eligible for AFDC benefits.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Tennessee extends Medicaid coverage to all income-eligible children under 21 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a Medically Needy program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Tennessee, a family of three with a monthly countable income of less than $217, after deducting medical expenses, is eligible for Medicaid.[8]

- However, Tennessee is one of seven states where the Medically Needy threshold is *lower than* the AFDC income eligibility limit of $353 per month or 46.7 percent of the poverty line. Therefore, the Medically Needy program extends coverage only to those families whose medical expenses drive their countable income far below the state's AFDC income eligibility limit.

Another key option is the SOBRA[9] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC,

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8. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

9. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[10]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Tennessee has a SOBRA program, with an income eligibility limit equal to the federal poverty level.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Tennessee covered 20 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Important services *not* covered by the Medicaid program in Tennessee included optometry and dental services.

The restrictiveness of the Medicaid program in Tennessee is especially noteworthy because in 1985 the state infant mortality rate was 11.4 per thousand births, which was above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, including Tennessee, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

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10. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Tennessee has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $150, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 33.0 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Tennessee has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Tennessee does not pay for services such as diagnostic, screening, and preventive services other than those specifically provided for through the Medicaid plan.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Tennessee.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Tennessee:

- 24.7 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Tennessee ranked 41st among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 45.3 percent of the unemployed in Tennessee received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Tennessee:

- Average unemployment insurance benefits equaled 28.2 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

The low level of unemployment insurance coverage in Tennessee is of particular significance for poor individuals and families given the absence of an AFDC-UP program for two-parent families and the absence of a state general cash assistance program (there are county-based general cash assistance programs). As a result, in households without an elderly or disabled person, unemployed single people as well as childless couples or two-parent families with an unemployed worker are unlikely to receive cash assistance from any level of government, no matter how poor they are.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Tennessee, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	2.1%
Corporation net income	8.2
General sales	57.0
Selective sales	19.9
License	10.2
Other taxes	2.6

As the table indicates, Tennessee collects just 10.3 percent of its revenue through the state individual and corporate income taxes. This is less than the 36.6 percent of revenue raised through income taxes in the typical (or median) state with an individual income tax. Tennessee is one of only 10 states without a broad-based individual income tax (the 2.1 percent in "individual income" taxes are taxes on dividends and interest income). The lack of a broad-based income tax usually increases the reliance of a state tax system on regressive taxes and consequently increases overall tax burdens on low-income people.

For poor households, sales tax burdens are often significant. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Tennessee:

- The sales tax rate was 5.5 percent in 1987. In the typical state with a general sales tax, the sales tax rate was five percent.

- Some 57.0 percent of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Tennessee:

- Food was *not* exempt from taxation. (There is a notable exception. Federal law requires that purchases made with food stamps be exempt from the sales tax.) Utilities were exempt from the sales tax.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Tennessee does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits,

and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Tennessee does not have a circuitbreaker program, but low-income elderly and disabled homeowners are eligible for a state-financed homestead exemption.[11]

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 91,364 renter households in Tennessee received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in Tennessee totalled 259,260. (1983 is the latest year for which these data are now available.)

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11. Circuitbreaker information is from 1985.

- If all those who received rental assistance were "very low-income" renters, then no more than 35.2 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 35.2 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[12] In Tennessee:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 48.4 percent. This represented a shortage of 47,240 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

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12. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Tennessee's share of the federal LIHEAP appropriation equaled 14.1 percent of the estimated total heating and cooling costs[13] of all low-income households in Tennessee which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Tennessee, an estimated 47.1 percent of those who are eligble are served under the federally-funded WIC program.[14]

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13. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

14. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Tennessee does *not* supplement the WIC program.

WIC participation in Tennessee is expected to increase significantly in the coming year, due in substantial part to institution by the state of a new system for purchasing the infant formula provided through the WIC program. Tennessee was the first state in the nation to institute the new system, which took effect in 1987 and is now producing sizable savings that are being used to reach additional women, infants, and children.

Tennessee is one of 14 states that has a federally funded Commodity Supplemental Food Program which has a target population similar to that of WIC. CSFP serves 23,828 participants in Tennessee. The WIC participation rate mentioned above accounts for these CSFP participants.[15]

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the number of WIC eligibles in the nation are for 1984.

15. CSFP participants are ineligible for the WIC program; therefore, the Center adjusted USDA's 1984 WIC eligible pool by subtracting out CSFP participants who otherwise meet WIC eligibility criteria.

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TEXAS

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Texas Highlights

Estimated poverty rate, 1985	15.9%
Estimated number of poor, 1985	2,605,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	24.3%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	54.5%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	35.3%
Percentage of unemployed receiving unemployment insurance, 1986	23.0%
Percentage of state tax revenue from individual and corporate income tax, 1986	0.0%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no	28
AFDC emergency assistance	no	26
SSI state supplement	no	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	no	25
Elderly and disabled	no	4
Medicaid Medically Needy program		
Pregnant women and children	yes	36
Elderly and disabled	no	34
Property tax circuitbreaker, 1985	no	31

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*Data are from 1987, except where otherwise noted.

TEXAS

An estimated 15.9 percent of the population of Texas, or 2,605,000 people, lived in poverty in 1985.[1] The Texas poverty rate was almost two percentage points above the national poverty rate of 14.0 percent. This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Texas, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance are unlikely to receive a level of aid that lifts them close to the poverty line.

The safety net for poor people in Texas is among the weakest in the nation. Texas' level of AFDC cash assistance to single-parent families ranks 48th among all states and the District of Columbia. A mother and two children with no other income received a maximum AFDC benefit of $184 a month in 1987, which equalled less than one-fourth of the poverty line. Since 1970, maximum AFDC benefits have declined 57.7 percent in Texas after adjusting for inflation, the steepest decline of any state in the nation. Texas also has a large negative disparity between its AFDC benefit ranking and its per capita income ranking --

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

Texas ranks 32nd in per capita income while it ranks close to last in AFDC benefit levels.[2]

In addition, Texas has elected not to provide AFDC benefits to two-parent families with children who are poor, unlike 28 other states that provide this coverage. Texas also lacks a general cash assistance program for poor single individuals and childless couples who are not elderly or disabled.

Medicaid eligibility is tightly constrained as well, with many poor families left out of the program. For all members of a single-parent family of three to receive Medicaid, the family must have income (after medical expenses and some limited deductions) that is less than 35.3 percent of the poverty line.

Elderly and disabled people who are poor may receive the basic federal SSI grant, but this leaves them below the poverty line. Twenty-seven states supplement the basic SSI grant so that the elderly and disabled poor may be brought closer to or above the poverty line. Texas is not one of these states. Nor has Texas adopted any of the state Medicaid options that would extend coverage for elderly and disabled poor people beyond what is required by federal law.

Texas also has a restrictive unemployment insurance program. In 1986, 23 percent of unemployed Texans -- fewer than one in four -- received unemployment insurance benefits in an average month. This tied for the fifth lowest unemployment insurance coverage rate in the nation.

For unemployed two-parent families and their children who do not qualify for or have exhausted their unemployment benefits (as well as for jobless single individuals and childless couples in this situation who are not elderly or disabled), little or no safety net exists. They are ineligible for virtually any cash assistance, regardless of how poor they may be. In many cases, they are ineligible for health care coverage, as well.

While Texas provides limited aid to its poor residents, it does impose significant tax burdens on them. Texas has no personal or corporate income taxes, which generally absorb little income from the poor; instead, Texas relies on sales taxes that consume a substantial portion of the income of the poor. The state also lacks a circuitbreaker program to ease the property tax burden on low-income households. Some 31 other states have circuitbreaker programs.

These and other aspects of the Texas safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis

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2. The per capita income ranking used here is based on 1987 data. The Center's companion report, *Holes in the Safety Nets -- National Overview*, used 1986 data, the latest available at the time it was prepared.

discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Texas well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Texas does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Texas:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $184 per month, or $2,208 per year. This AFDC benefit equals 24.3 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 48th out of all states.[3]

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3. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $228 per month. At most, AFDC and food stamp benefits combined can equal 54.5 percent of the poverty line.[4] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a family of three without any income, AFDC benefit payments equal less than one-third (32.1 percent) of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $2,652 per year, which equals 22.8 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 57.7 percent -- well over half -- from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Texas who incurs deductible child care costs of $106 a month,[5] earnings of just $385 a month -- equal to 50.9 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

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4. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

5. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Texas:

- For a single mother with two children who does *not* get a child care deduction, earnings of $279 a month -- equal to 36.9 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Texas does not provide AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[6] Some 28 states have such a program (known as "AFDC-UP").

- Texas does *not* have an AFDC-UP program.

Since there is no AFDC-UP program in Texas, two-parent families with an unemployed primary earner are ineligible for ongoing cash assistance, other than unemployment insurance benefits, which are available only to a minority of the unemployed.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

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6. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and asset eligibility requirements.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[7]

In Texas:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[8] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.

- Texas does *not* supplement the basic federal SSI grant.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

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7. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

8. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Texas:

- There are emergency assistance programs in some major metropolitan areas, but there is no state general assistance program. Nondisabled, nonelderly singles and childless couples who are poor are left without *any* ongoing cash assistance (unless they are receiving unemployment insurance).

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in

non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Low-income single individuals and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though Texas does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- Texas does not provide Medicaid coverage to two-parent families who meet its AFDC income eligibility requirements.

Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Texas extends Medicaid coverage to all income-eligible children under age 18.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Texas, a family of three with a monthly countable income of less than $267, after deducting medical expenses, is eligible for Medicaid.[9] This income eligibility limit is equal to 35.3 percent of the poverty line for a family of three.

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the

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9. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

10. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Texas does not have a SOBRA program, leaving large numbers of pregnant women and young children from poor families without Medicaid coverage.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Texas covered 15 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Services *not* covered by the Medicaid program in Texas included dental services and occupational therapy.

Elderly and Disabled

In most states, including Texas, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Texas does *not* have a Medically Needy program for the low-income elderly and disabled. (Texas is one of two states with a Medically Needy program for families with children that has not extended this coverage to the elderly and disabled.)

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11. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the SOBRA law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Texas has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Texas does not pay for items and services such as dentures and services for those aged 65 and above in mental institutions.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Texas.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial program discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards,

have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Texas:

- Only 23.0 percent of the unemployed received unemployment insurance benefits in an average month in 1986.

- Texas ranked 46th among all states by this measure.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Texas:

- Average unemployment insurance benefits equaled 42.2 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

The low level of unemployment insurance coverage in Texas is of particular significance for poor individuals and families given the absence of an AFDC-UP program for two-parent families and the absence of any general cash assistance program. As a result, in households without an elderly or disabled person, unemployed single people as well as childless couples or two-parent families with an unemployed worker are unlikely to receive cash assistance from any level of government, no matter how poor they are.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that

is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Texas, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	0.0%
Corporation net income	0.0
General sales	38.9
Selective sales	30.0
License	16.0
Other taxes	15.0

As the table indicates, Texas collects none of its revenue through state individual and corporate income taxes. Texas is one of only 10 states without a broad-based individual income tax. This usually increases the reliance of a state tax system on regressive taxes and increases overall tax burdens on low-income people.

For poor households in most states, sales tax burdens are heavy. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Texas:

- The sales tax rate was 6.0 percent in 1987. In the typical state with a general sales tax, the sales tax rate was five percent.

- Some 38.9 percent of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Texas:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Texas does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Texas does *not* have a circuitbreaker program.[12]

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12. Circuitbreaker information is from 1985.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 196,290 renter households in Texas received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in Texas totalled 766,090. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 25.6 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 25.6 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low rent housing units in the state. The Rental Housing Crisis Index shows that the

number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[13] In Texas:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 75.9 percent. This represented a shortage of 216,333 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide

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13. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Texas' share of the federal LIHEAP appropriation equaled only 8.0 percent of the estimated total heating and cooling costs[14] of all low-income households in Texas which were potentially eligible for assistance under federal guidelines. This percentage is expected to be even lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Texas, an estimated 38.5 percent of those who are eligible are served under the federally-funded WIC program.[15]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Texas supplements the WIC program, bringing the overall percentage of WIC eligibles who are served to 41.2 percent.

Texas also plans to institute a new system on May 1, 1988 for purchasing the infant formula served through its WIC program. The new procurement method is expected to save at least $86 million between May 1, 1988 and September 30, 1990, thereby allowing substantial expansion of the Texas WIC program. In this area, Texas is one of the leaders in the nation.

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14. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

15. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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UTAH

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Utah Highlights

Estimated poverty rate, 1985	11.1%
Estimated number of poor, 1985	183,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	49.7%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	75.5%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	91.7%
Percentage of unemployed receiving unemployment insurance, 1986	31.7%
Percentage of state tax revenue from individual and corporate income tax, 1986	38.0%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no**	28
AFDC emergency assistance	no	26
SSI state supplement	yes	27
Statewide general assistance	yes	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	no	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	no	10
Covers renters	yes	25

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*Data are from 1987, except where otherwise noted.

**Utah's Emergency Work Program does assist some poor two-parent families with an unemployed worker.

UTAH

An estimated 11.1 percent of the population of Utah, or 183,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Utah, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of aid that is not sufficient to lift them out of poverty.

The safety net for poor people in Utah contains some substantial holes. The maximum AFDC benefit for a mother and two children equals about half (49.7 percent) of the poverty line. AFDC benefits for a family of four without other income have declined 29.1 percent since 1970, after adjusting for inflation.

Utah does not provide regular AFDC benefits to poor two-parent families. While its Emergency Work Program does provide benefits to some two-parent families, eligibility for such benefits is limited to six months in a 12-month period. The state also lacks an AFDC emergency assistance program, which is

1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

used to provide emergency aid to some homeless families in a number of states, and a general cash assistance program for poor single individuals and childless couples who are not elderly or disabled. As a result, most poor two-parent families, single individuals, and childless couples receive either limited cash assistance or none at all. Many such households also are ineligible for health care coverage.

The lack of cash assistance is made more serious by the limits of unemployment insurance coverage in Utah. In 1986, fewer than one in every three (31.7 percent) unemployed workers received unemployment insurance in Utah in an average month.

Insufficient low-rent housing poses another serious problem. In 1985, the number of very low-income renter households was nearly double the number of very low-rent units. While Utah has a circuitbreaker program to ease the burden of property taxes on low-income households, eligibility is limited to the elderly.

In a recent positive reform, Utah significantly increased the threshold at which households first pay state income taxes, thereby removing many working poor households from the state income tax rolls.

These and other aspects of the Utah safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Utah below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Utah does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Utah:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $376 per month, or $4,512 per year. This AFDC benefit equals 49.7 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 20th out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $195 per month. At most, AFDC and food stamp benefits combined can equal 75.5 percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a family of three without any income, AFDC benefit payments equal only 54.3 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.) Utah last raised its need standard in 1985.

- For a single-parent family of *four* without any income, maximum AFDC benefits are $5,268 per year, which equals 45.3 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 29.1 percent from 1970 to 1987, after adjusting for inflation. AFDC benefits in Utah were last raised in 1985.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Utah does not provide AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[4] Some 28 states have such a program (known as "AFDC-UP").

- Utah does *not* have an AFDC-UP program.

Utah's Emergency Work Program (EWP) does assist some poor two-parent families with unemployed workers. EWP differs from AFDC-UP in significant respects. For example, EWP requires beneficiaries to perform at least 40 hours a week of community work, job search, and skill training. EWP also limits program participation to six months out of any 12 month period.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

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4. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[5] Moreover, even though Utah supplements SSI, the combined SSI assistance is insufficient to lift elderly and disabled individuals out of poverty.

In Utah:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[6]

- Utah supplements the basic federal SSI grant, but by minimal amounts -- $9 a month for an individual and $17 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 76.8 percent of the poverty line for an individual and 91.9 percent for a couple.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $40 per month for an individual and $58 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 85.5 percent of the poverty line for

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5. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

6. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

individuals and 102.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Utah:

- There is a state general assistance program but it serves only disabled people. Thus nondisabled, nonelderly singles and childless couples who are poor are left without any cash assistance (unless they are receiving unemployment insurance).

- For disabled people without any income, the monthly benefits are $217 for one person or $301 for a two-person household, which are equal to 45.0 percent and 48.8 percent of the respective poverty lines for these households.[7]

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

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7. In some state programs, the level of general assistance benefits varies by areas within the state; in these instances, benefit levels for the most representative area are cited.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though Utah does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- Utah does not provide Medicaid coverage to two-parent families who meet its AFDC income eligibility requirements. However, participants in the state's Emergency Work Program are eligible for Medicaid.

Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Utah extends Medicaid coverage to all income-eligible children under 18 years of age.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Utah, a family of three with a monthly countable income of less than $501, after deducting medical expenses, is eligible for Medicaid.[8]

- However, Utah is one of seven states where the Medically Needy threshold is *lower than* the AFDC income eligibility limit of $693 per month or 91.7 percent of the poverty line. Therefore, the Medically Needy program extends coverage only to those families whose medical

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8. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

expenses drive their countable income substantially below the state's AFDC income eligibility limit.

Another key option is the **SOBRA**[9] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[10]

In January 1988, the SOBRA option for pregnant women and young children was effect in 25 states.

- Utah does not have a SOBRA program, leaving some pregnant women and young children from poor families without Medicaid coverage.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Utah covered 26 out of 32 possible optional Medicaid services. Services *not* covered by the Medicaid program in Utah included occupational therapy and chiropractor services.

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9. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

10. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

Elderly and Disabled

In most states, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some states have especially restrictive Medicaid eligibility criteria for the elderly and disabled and *fail* to cover all SSI recipients under Medicaid. (These states are sometimes called "209(b) states" due to the section of federal law that permits them to adopt Medicaid eligibility criteria that are more restrictive than the criteria used for SSI.) States are permitted to use Medicaid eligibility criteria as restrictive as those they used for their elderly and disabled poor in January 1972, before SSI began.

- Utah is one of just 14 states that does *not* extend Medicaid eligibility to all SSI recipients.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Utah has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $289, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 63.6 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Utah has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Utah.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Utah:

- 31.7 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Utah ranked 28th among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 43.8 percent of the unemployed in Utah received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Utah:

- Average unemployment insurance benefits equaled 46.1 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of

course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

The low level of unemployment insurance coverage in Utah is of particular significance for poor individuals and families given the limits to the Emergency Work Program and the limits to the state's general cash assistance program. As a result, in households without an elderly or disabled person, unemployed single people as well as childless couples or two-parent families with an unemployed worker are unlikely to receive cash assistance from any level of government, no matter how poor they are.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Utah, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	33.1%
Corporation net income	4.9
General sales	40.9
Selective sales	13.3
License	4.2
Other taxes	3.6

As the table indicates, Utah collects 38.0 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes.

In Utah:

- A two-parent family of four will begin to owe income taxes when its income reaches $10,900, which is 89.1 percent of the estimated 1988 poverty line. This reflects a very substantial increase from the 1986 threshold of $4,300.

For poor households in most states, sales tax burdens are significant. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Utah:

- The sales tax rate was 5.09 percent in 1987. In the typical state with a general sales tax, the sales tax rate was five percent.

- Some 40.9 percent of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Utah:

- Food was *not* exempt from taxation. (There is a notable exception. Federal law requires that purchases made with food stamps be exempt from the sales tax.). Utilities were exempt from the sales tax.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Utah does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around

the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Utah has a circuitbreaker program.[11]
- Eligibility for the circuitbreaker is limited to low-income elderly homeowners and renters; thus it fails to assist the nonelderly.
- The average annual benefit from the circuitbreaker in Utah was $113 in 1985, and benefits could be extended to elderly households with incomes up to $10,000.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental

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11. Circuitbreaker information is from 1985.

housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 10,039 renter households in Utah received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in Utah totalled 57,390. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 17.5 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 17.5 percent figure -- as small as it is -- overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[12]

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12. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median

In Utah:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 99.3 percent. This represented a shortage of 18,657 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

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renter household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

- In fiscal year 1987, Utah's share of the federal LIHEAP appropriation equaled 31.0 percent of the estimated total heating and cooling costs[13] of all low-income households in Utah which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide many eligible women and children are left out of the program.

- In Utah, only an estimated 35.7 percent of those who are eligible are served under the federally-funded WIC program.[14]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Utah does *not* supplement the WIC program.

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13. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

14. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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VERMONT

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Vermont Highlights

Estimated poverty rate, 1985	9.2%
Estimated number of poor, 1985	49,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	79.8%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	96.5%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	99.2%
Percentage of unemployed receiving unemployment insurance, 1986	38.1%
Percentage of state tax revenue from individual and corporate income tax, 1986	38.2%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	yes	26
SSI state supplement	yes	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	yes	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	no**	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	yes	31
Covers households other than the elderly or disabled	yes	10
Covers renters	yes	25

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*Data are from 1987, except where otherwise noted.

**The high income eligibility threshold of Vermont's Medically Needy program makes this decision virtually irrelevant.

VERMONT

An estimated 9.2 percent of the population of Vermont, or 49,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

Many of those who are poor in Vermont receive government assistance. But their eligibility and the level of assistance are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children.

Although Vermont has a stronger system of government assistance to the poor than most other states, Vermont's safety net still has sizable gaps. For example, although most poor families with children and elderly and disabled people are eligible for Medicaid, Vermont offers only 18 out of 32 optional Medicaid services. Neighboring Massachusetts provides 30 such services. Vermont does not provide for dental services, among others.

Poor single individuals and childless couples who are neither elderly nor disabled are ineligible for cash assistance other than on an emergency basis. They may not receive ongoing assistance. These types of households are also unlikely to receive health care coverage.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

Low-income Vermont households are confronted with a serious shortage of low-rent housing. In 1985, the number of very low-income renter households in the state was nearly double the number of very low-rent units.

Finally, in 1986, fewer than two of every five (38.1 percent) of unemployed workers in Vermont received unemployment insurance in an average month.

These and other aspects of the Vermont safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. When combined with food stamps, this assistance leaves families in Vermont just below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Vermont does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Vermont:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $603 per month, or $7,236 per year. This AFDC benefit equals 79.8 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks third out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $127 per month. At most, AFDC and food stamp benefits combined can equal 96.5 percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a family of three without any income, AFDC benefit payments equal only 67.8 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.)

- For a single-parent family of *four* without any income, maximum AFDC benefits are $8,112 per year, which equals 69.8 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 23.8 percent from 1970 to 1987, after adjusting for inflation.

Some poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she may lose eligibility for AFDC even though she has income below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Vermont who incurs

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

deductible child care costs of $106 a month,[4] earnings of $804 a month -- equal to 106.3 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Vermont:

- For a single mother with two children who does *not* get a child care deduction, earnings of $698 a month -- equal to 92.4 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Vermont provides AFDC emergency assistance.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[5] Some 28 states have such a program (known as "AFDC-UP").

- Vermont has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner

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4. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

5. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986, only 7.3 percent of the AFDC caseload in Vermont consisted of two-parent families.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[6]

In Vermont:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[7]

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6. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

7. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

- Vermont supplements the basic federal SSI grant by $57 a month for an individual and $104 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 87.3 percent of the poverty line for an individual and 107.1 percent for a couple.

- The value of the state supplement, after adjustment for inflation, declined by 14.6 percent for an individual from 1974 (the year SSI started) to 1987.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $25 per month for an individual and $32 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 92.9 percent of the poverty line for individuals and 112.7 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Vermont:

- There is a state emergency assistance program, but it serves only victims of catastrophic events such as floods. Thus nondisabled, nonelderly singles and childless couples who are poor are left without any ongoing cash assistance (unless they are receiving unemployment insurance).

- There is no standard benefit under the emergency assistance program. The payment is made to fulfill the emergency need, except that the maximum rent allowance is equal to the AFDC shelter standard.

- Benefits are provided only on a one-time emergency basis.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Poor children, pregnant women, and other members of families that do

not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many poor two-parent families do not receive AFDC benefits. (For example, two-parent families with full-time workers are ineligible for AFDC-UP benefits, as noted above.)

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Vermont extends Medicaid coverage to all income-eligible children under age 21.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Vermont, a family of three with a monthly countable income of less than $750, after deducting medical

expenses, is eligible for Medicaid.[8] This income eligibility limit is equal to 99.2 percent of the poverty line for a family of three.

Another key option is the **SOBRA**[9] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[10]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Vermont has a SOBRA program with an income eligibility limit equal to the poverty line.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

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8. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

9. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

10. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

- In 1986, Vermont covered 18 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Important services *not* covered by the Medicaid program in Vermont included dental services and diagnostic, screening, and preventive services other than those specifically covered under the Medicaid plan.

Elderly and Disabled

In most states, including Vermont, all of the elderly and disabled who receive SSI payments are eligible for Medicaid.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Vermont has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $600, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 132.0 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Vermont has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option, although the high income eligibility level of its Medically Needy program may make the SOBRA option irrelevant.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Vermont does not pay for items and services such as dentures and certain services for the elderly in mental institutions.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Vermont.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Vermont:

- 38.1 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Vermont ranked 10th among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 53.0 percent of the unemployed in Vermont received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Vermont:

- Average unemployment insurance benefits equaled 38.7 percent of the average weekly wages of workers covered by unemployment

insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Vermont, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	32.1%
Corporation net income	6.1
General sales	19.7
Selective sales	30.9
License	8.6
Other taxes	2.5

As the table indicates, Vermont collects just 38.2 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into

poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes.

In Vermont:

- A two-parent family of four will begin to owe income taxes when its income reaches $12,800 (which is above the estimated 1988 poverty line).

For poor households in most states, sales tax burdens are heavy. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Vermont:

- The sales tax rate was 4.0 percent in 1987.
- Some 19.7 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Vermont:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Vermont has a sales tax credit for low-income households.

In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government. It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Unfortunately, some state circuitbreaker programs are very limited. Most states, for example, restrict the circuitbreaker to the low-income elderly, thus shutting out families with children.

In addition, some states restrict eligibility for the circuitbreaker to homeowners. Fortunately, most states with circuitbreakers do cover renters; in these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Vermont has a circuitbreaker program.[11]
- Eligibility for the circuitbreaker is extended to homeowners and renters of all ages.
- The average annual benefit from the circuitbreaker in Vermont was $259 in 1985, and benefits could be extended to households with incomes up to $32,000.

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive

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11. Circuitbreaker information is from 1985.

the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Vermont's share of the federal LIHEAP appropriation equaled 33.5 percent of the estimated total heating and cooling costs[13] of all low-income households in Vermont which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

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13. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

- In Vermont, an estimated 81.8 percent of those who are eligible are served under the federally-funded WIC program.[14] This is the highest participation rate in the nation.

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Vermont does *not* supplement the WIC program.

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14. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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VIRGINIA

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with pubiic policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Virginia Highlights

Estimated poverty rate, 1985	10.0%
Estimated number of poor, 1985	570,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	46.8%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	73.5%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	47.4%
Percentage of unemployed receiving unemployment insurance, 1986	16.6%
Percentage of state tax revenue from individual and corporate income tax, 1986	50.7%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no**	28
AFDC emergency assistance	yes	26
SSI state supplement	no	27
Statewide general assistance	no	25
Full use of Ribicoff option for children	no	32
Medicaid "SOBRA" option		
Pregnant women and children	***	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	no	31

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*Data are from 1987, except where otherwise noted.

**Virginia does have a demonstration program providing cash benefits to some poor two-parent families (the AFDC-UP target group).

***Virginia recently adopted this option for pregnant women and children up to age one, with the program scheduled to take effect in July 1988.

VIRGINIA

An estimated 10 percent of the population of Virginia, or 570,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For those who are poor in Virginia, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance are likely to receive a level of aid that leaves them well below the poverty line.

Although Virginia has recently taken several steps to strengthen its assistance to poor families, its safety net for poor people remains weaker in significant areas than that of most other states. The maximum AFDC benefit level for a family of three with no other income equals less than half (46.8 percent) of the poverty line. From 1970 to 1987, AFDC benefits for a family without other income fell 46.2 percent after adjusting for inflation, the ninth steepest decline of any state. Virginia has a greater disparity than most other states between its state AFDC benefit ranking and its per capita income ranking;

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

the state stands 10th in the nation in per capita income,[2] but 27th in AFDC benefit levels.

In addition, Virginia ranks last in the nation in the proportion of its AFDC households that receive food stamps. Only 58.9 percent of AFDC households in the state receive food stamps, compared to a national average participation rate of 83.4 percent.

Virginia has no state general cash assistance program for poor single individuals and childless couples who are neither elderly nor disabled, leaving it up to each county to determine the nature of any such assistance. The state did recently adopt a demonstration program that will provide cash benefits to some poor two-parent families, but the program will not operate statewide and will likely offer more limited benefits than are offered in the 28 states (including North and South Carolina) with AFDC-UP programs.

Elderly and disabled people who are poor may receive the basic federal SSI grant, but this leaves them below the poverty line. While twenty-seven states supplement the basic SSI grant so that the elderly and disabled poor may be brought closer to or above the poverty line, Virginia is not one of these states.

Virginia has a particularly restrictive unemployment insurance program. In 1986, some 16.6 percent of unemployed Virginians -- just one in six -- received unemployment insurance in an average month. This represented the lowest unemployment insurance coverage rate among any state in the nation.

Many poor families are also left out of Medicaid coverage. For all members of a three-person family to be eligible, the family must have income (after medical expenses and some limited deductions) of less than 47.4 percent of the poverty line. In a positive move, the state acted in the spring of 1988 to extend Medicaid coverage to pregnant women and children up to one year old living in families with incomes of up to 100 percent of the poverty line.

Another area where Virginia recently took positive steps was in its 1987 reform of the state income tax. These reforms reduced income tax burdens on low-income families. Nevertheless, Virginia still imposes income taxes on working poor families who fall several thousand dollars below the poverty line; only seven states impose income taxes on families with lower incomes than does Virginia. In addition, Virginia is one of 11 states that neither exempt food from the sales tax nor provide a low-income sales tax rebate, and one of 20 states that lack a property tax circuitbreaker program to reduce property tax burdens on low income households.

Finally, Virginia faces a severe shortage of affordable rental housing for low income households. In 1985, the number of very-low income renter households was, under conservative estimates, nearly double the number of very low-rent units in the state.

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2. The per capita income ranking used here is based on 1987 data. The Center's companion report, Holes in the Safety Nets -- National Overview, used 1986 data, the latest available at the time it was prepared.

These and other aspects of the Virginia safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Virginia well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Virginia does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Virginia:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $354 per month, or $4,248 per year.[3] This AFDC benefit equals 46.8 percent of the 1987 poverty line for a

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3. Data here are from the area with the highest of the three area benefit levels.

family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 27th out of all states.[4]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $202 per month. At most, AFDC and food stamp benefits combined can equal 73.5 percent of the poverty line.[5]

- Nearly one of every two AFDC households in Virginia fails to receive food stamps, according to a recent study by the U.S. General Accounting Office. The proportion of AFDC households receiving food stamps is far lower in Virginia than in any other state in the nation. In some parts of the state -- such as Lynchburg, Henrico County, and Richmond -- only 28 to about 40 percent of AFDC families receive food stamps.[6]

- For a family of three without any income, AFDC benefit payments equal 90.1 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is

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4. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

5. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

6. The General Accounting Office reported that 58.9 percent of AFDC households in Virginia received food stamps in fiscal year 1986, while 41.1 percent (or 24,043 households) did not. Nationwide, some 83.4 percent of AFDC households received food stamps.

Households in which all members are covered by an AFDC grant are automatically eligible for food stamps, and nationwide some 93.7 percent of these households do receive food stamps. In Virginia, 75.3 percent of these households received food stamps, the second lowest participation rate for these households for any state.

Among households consisting both of AFDC recipients and of other persons residing with them, 48.6 percent received food stamps in Virginia, the third lowest rate of any state and well below the national average rate of 66.1 percent.

necessary to meet a minimal standard of living in that state.) Virginia last raised its need standard in 1985.

- For a single-parent family of *four* without any income, maximum AFDC benefits are $4,920 per year, which equals 42.3 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 46.2 percent from 1970 to 1987, after adjusting for inflation.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Virginia who incurs deductible child care costs of $106 a month,[7] earnings of $555 a month -- equal to 73.4 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Virginia:

- For a single mother with two children who does *not* get a child care deduction, earnings of $449 a month -- equal to 59.4 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Virginia provides AFDC emergency assistance.

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7. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[8] Some 28 states have such a program (known as "AFDC-UP").

- Virginia does *not* have an AFDC-UP program, but it has adopted a demonstration program that will provide AFDC benefits to some two-parent families with incomes below the poverty line. Program guidelines are currently being drawn up, and eligibility criteria are likely to be more stringent than under the AFDC-UP program. The demonstration will only be implemented in parts of the state and is expected to begin in July 1988.

Given the limits to this demonstration in Virginia, along with the limits to the state unemployment insurance and general assistance programs, many two-parent families with incomes below the poverty line do not and will not receive cash assistance.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27

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8. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[9]

In Virginia:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple,[10] which is equal to 74.8 percent and 88.9 percent of the respective estimated poverty lines for these households.

- Virginia does *not* supplement the basic federal SSI grant.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $42 per month for an individual and $63 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 84.1 percent of the poverty line for individuals and 100.0 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

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9. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

10. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Virginia:

- There are very broad state guidelines for the provision of general assistance. Counties can establish their own programs but are subject to no requirements to provide any particular minimum level of assistance or to meet any minimum coverage standards. Some counties provide little or no assistance.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC are automatically entitled to Medicaid. Even though Virginia does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- Virginia does not provide Medicaid coverage to two-parent families who meet its AFDC income eligibility requirements. (Two-parent families who qualify for cash benefits under the demonstration program described above are not eligible for Medicaid coverage.)

Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Virginia extends Medicaid coverage only to some income-eligible children under 21 years of age. It is one of 19 states that has chosen to restrict this coverage to small groups of children.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income

minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Virginia, a family of three with a monthly countable income of less than $358, after deducting medical expenses, is eligible for Medicaid.[11] This income eligibility limit is equal to 47.4 percent of the poverty line for a family of three.

Another key option is the **SOBRA**[12] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[13]

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11. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

12. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

13. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Virginia recently adopted this option, with the program scheduled to take effect in July 1988. However, instead of covering children up to their second birthday as is now allowed by federal law, the Virginia program only covers children up to their first birthday. All but three of the other states that have adopted this option extend coverage to children up to age two.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Virginia covered 15 out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Important items and services *not* covered by the Medicaid program in Virginia included eyeglasses, dental services, and rehabilitative services. (For households that received Medicaid coverage under the Medically Needy program, service coverage was even more limited, with only 11 options covered.)

The provisions of the Medicaid program in Virginia are especially noteworthy because in 1985 the state infant mortality rate was 11.5 per thousand births, which was above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some states have especially restrictive Medicaid eligibility criteria for the elderly and disabled and *fail* to cover all SSI recipients under Medicaid. (These states are sometimes called "209(b) states" due to the section of federal law that permits them to adopt Medicaid eligibility criteria that are more restrictive than the criteria used for SSI.) States are permitted to use Medicaid eligibility criteria

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birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

as restrictive as those they used for their elderly and disabled poor in January 1972, before SSI began.

- Virginia is one of just 14 states that does *not* extend Medicaid eligibility to all SSI recipients.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Virginia has a Medically Needy program for the low-income elderly and disabled. The income eligibility limit, however, was far below the poverty line. An elderly or disabled person with a monthly income of $217, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 47.7 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Virginia has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Virginia does not pay for items such as dentures and prosthetic devices.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Virginia.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly

and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Virginia:

- 16.6 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Virginia ranked 51st, or last in the nation, among all states by this measure.
- The strength of unemployment insurance coverage was down from 1979 when 23.7 percent of the unemployed in Virginia received unemployment insurance benefits in an average month.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Virginia:

- Average unemployment insurance benefits equaled 36.9 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

The exceptionally low level of unemployment insurance coverage in Virginia is of particular significance for poor individuals and families given the limits to its demonstration cash assistance program for two-parent families and the absence of a state general cash assistance program (there are county-based general cash assistance programs). As a result, in households without an elderly or disabled person, unemployed single people as well as childless couples or two-parent families with an unemployed worker are unlikely to receive cash assistance from any level of government, no matter how poor they are.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Virginia, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	44.9%
Corporation net income	5.8
General sales	21.0
Selective sales	19.4
License	6.3
Other taxes	2.5

As the table indicates, Virginia collects 50.7 percent of its revenue through the state individual and corporate income taxes.

Also of considerable importance is the structure of a state's individual income tax code. Poor families have been removed from the federal income tax rolls. However, many states continue to tax the working poor deeper into poverty. In 1988, two-parent families of four with incomes at or below the poverty line will be exempt from state income taxes in 13 of the 41 states with incomes taxes. In the other 28 states with income taxes, some poor families will continue to owe income tax.

Although in 1987 Virginia amended its tax code in a manner that reduced the burden on working poor families, the state income tax still takes a higher proportion of the income of poor families than in most states.

- If a two-parent family of four earns $10,000 a year, it will owe state income taxes of $93. By contrast, in the typical (or median) state with an income tax, such a family has a tax liability of $31.

- A two-parent family of four will begin to owe income taxes when its income reaches $5,900, which is 48.2 percent of the estimated 1988 poverty line and the eighth lowest state income tax threshold in the nation. By contrast, this family will not begin to owe *federal* income taxes in 1988 until its income reaches approximately $15,000.

While income tax burdens can be significant, for poor households in most states, sales tax burdens are much heavier. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Virginia:

- The sales tax rate was 3.5 percent in 1987.

- Some 21.0 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Virginia:

- Food was *not* exempt from taxation. (There is a notable exception. Federal law requires that purchases made with food stamps be exempt from the sales tax.) Utilities were exempt from the sales tax.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Virginia does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Virginia does *not* have a circuitbreaker program.[14]

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-

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14. Circuitbreaker information is from 1985.

income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 79,566 renter households in Virginia received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in Virginia totalled 262,530. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 30.3 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 30.3 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[15]

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15. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

In Virginia:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 88.6 percent. This represented a shortage of 85,892 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Virginia's share of the federal LIHEAP appropriation equaled 16.4 percent of the estimated total heating and cooling costs[16] of all low-income households in Virginia which were potentially eligible for assistance under federal guidelines.

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16. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Virginia, only an estimated 43.3 percent of those who are eligible are served under the federally-funded WIC program.[17]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Virginia does not supplement the WIC program.

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17. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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WASHINGTON

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

PAUL LEONARD

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

Paul Leonard is an Analyst at the Center specializing in federal budget policy and its impact on programs for the poor.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Washington Highlights

Estimated poverty rate, 1985	12.0%
Estimated number of poor, 1985	529,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	65.1%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	88.1%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	76.1%
Percentage of unemployed receiving unemployment insurance, 1986	37.0%
Percentage of state tax revenue from individual and corporate income tax, 1986	0%

Optional programs*	State has program?	Number of states with program
AFDC-UP	yes	28
AFDC emergency assistance	yes	26
SSI state supplement	yes	27
Statewide general assistance	yes	25
Full use of Ribicoff option for children	no	32
Medicaid "SOBRA" option		
Pregnant women and children	yes	25
Elderly and disabled	no	4
Medicaid Medically Needy program	yes	36
Property tax circuitbreaker, 1985	no	31

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*Data are from 1987, except where otherwise noted.

WASHINGTON

An estimated 12.0 percent of the population of Washington, or 529,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

Many of those who are poor in Washington receive government assistance. But their eligibility and the level of assistance they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of benefits that is not sufficient to lift them out of poverty.

Although Washington has adopted many of the program options to aid the poor permitted under federal law and is about to implement its new Family Independence Program, sizable holes in its safety net remain. The maximum AFDC benefit for a mother and two children with no other income equaled 65 percent of the poverty line in 1987. When food stamps are added in, the combined AFDC/food stamp benefit still fell more than $1,000 short of the poverty line. The FIP program will raise benefits for families with no other income by no more than five percent. Yet from 1970 to 1987, AFDC benefits for

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

a family of four without other income fell 34.7 percent, after adjusting for inflation.

The elderly and disabled poor can receive the basic federal SSI benefit plus a state SSI supplement, but the supplement is small and leaves SSI recipients below the poverty line. In 1987, the SSI supplement in Washington was $28 a month for a poor elderly individual. Of the 26 other states providing SSI supplements, 18 provided a more generous supplement level.

The safety net is weakest for poor single individuals and childless couples who are not elderly or disabled. There is no general cash assistance program for such people (general assistance is limited to disabled people). As a result, they are often ineligible for any form of cash assistance. They also are generally ineligible for noncatastrophic health care coverage. Some of these households may receive unemployment insurance benefits. However, most of the unemployed do not draw benefits. In 1986, some 37 percent of the unemployed workers in the state received unemployment benefits in an average month.

One of the most serious problems facing low-income households in Washington is a shortage of low-rent housing. In 1985, the number of very low-income renter households in the state was more than double the number of very low-rent housing units.

Finally, Washington has a regressive tax system that imposes significant tax burdens on poor households. The state has no individual or corporate income tax, two common methods of taxation that generally are not very burdensome to the poor. The state's sales tax rate, at 6.5 percent, is one of the highest in the nation. The state also lacks a circuitbreaker program to relieve the burden of local property taxes on low-income households (31 other states have such a program).

These and other aspects of the Washington safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies – unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

AFDC/FIP

The following information describes the operation of the current AFDC program in Washington as well as the changes that will occur when the state implements its Family Independence Program (FIP).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Washington below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Washington does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Washington in 1987:

- A single parent with two children, and with no income, was eligible for a maximum AFDC cash benefit of $492 per month, or $5,904 per year. This AFDC benefit equaled 65.1 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranked ninth out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equaled $174 per month. At most, AFDC and food stamp benefits combined could equal 88.1

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)

- For a family of three without any income, AFDC benefit payments equaled only 58.9 percent of the state's "need standard." (States set their own AFDC need standard, which theoretically reflects how much money is necessary to meet a minimal standard of living in that state.)

- For a single-parent family of *four* without any income, maximum AFDC benefits were $6,936 per year, which equaled 59.6 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 34.7 percent from 1970 to 1987, after adjusting for inflation.

The Family Independence Program (FIP) is a five-year demonstration program that substantially revises the traditional AFDC program to link it more closely with training programs and employment. FIP will be phased in over a three-year period starting on July 1, 1988.

Unlike AFDC, FIP will provide recipients with financial incentives to work or to participate in employment, education or training programs. Those who work or participate in FIP education or training programs will receive larger cash benefits than under current AFDC guidelines. The largest increase in benefits will be provided to families with a full-time worker, with smaller increases provided to part-time workers. Unemployed recipients who participate in education or training activities will receive five percent incentive bonuses.

FIP will also provide transitional child care and Medicaid benefits for 12 months after a family's cash benefits end due to a family member finding a job that pays enough to make the family ineligible for further cash assistance. The Washington Department of Social and Health Services may charge fees to such families for part of the cost of these transitional child care and Medicaid benefits, with the fee charged the family based in part on the family's income. In addition, under FIP, food stamp benefits will be converted to cash and provided as part of the cash assistance benefit.

While cash benefit levels for working families or for families participating in training programs will be increased under FIP, cash benefit levels for poor

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3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

families without a worker or a member participating in a training program will not be affected by FIP.

AFDC Emergency Assistance

Some 26 states provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states providing emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Washington provides AFDC emergency assistance, but on a very restrictive basis.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[4] Some 28 states have such a program (known as "AFDC-UP").

- Washington has an AFDC-UP program. (Benefit levels are the same as in the AFDC program for single-parent families.)

AFDC-UP, however, fails to cover many poor two-parent families. This is both because (as with the AFDC program) many families below the poverty line still have incomes too high to receive benefits, and also because by federal statute, a two-parent family is only eligible for benefits if its primary earner works less than 100 hours in a month. A two-parent family with a full-time worker, but with very low income, is excluded from AFDC-UP coverage.

- In 1986, only 10.5 percent of the AFDC caseload in Washington consisted of two-parent families.

Two-parent families will also be eligible for cash benefits under FIP and, if they have earnings, their benefits will be higher than under current program rules. However, the 100-hour work rule will be continued under FIP; thus a two-parent family with a full-time worker will still be excluded from benefits.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit

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4. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. As noted, food stamp benefits will be "cashed-out" under FIP.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[5] Moreover, even though Washington supplements SSI, the combined SSI assistance is insufficient to lift elderly and disabled individuals out of poverty, in part because the value of the supplement has fallen significantly since 1974.

In Washington:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[6]

- Washington supplements the basic federal SSI grant by $28 a month for an individual and $22 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 81.0

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5. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

6. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

percent of the poverty line for an individual and 92.8 percent for a couple.

- The value of the state supplement, after adjustment for inflation, declined by 59.5 percent for an individual and 71.0 percent for a couple from 1974 (the year SSI started) to 1987.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $34 per month for an individual and $57 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 88.4 percent of the poverty line for individuals and 102.7 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Washington:

- There is a state general assistance program, but it serves only disabled people[7] and women in the first or second trimesters of pregnancy who meet AFDC income and resource eligibility criteria.

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7. The Washington state legislature enacted in 1987, and amended in 1988, the Alcoholism and Drug Addiction Treatment Support Act (ADATSA). Under ADATSA, people who are disabled solely due to alcoholism or drug addiction are excluded from the general assistance program and instead are provided a limited package of treatment, services and some financial assistance. For many persons disabled due to substance abuse, ADATSA only provides shelter and meals in a dormitory-style facility.

Thus many singles and childless couples who are poor are left without any cash assistance (unless they are receiving unemployment insurance).

- For a categorically-eligible household without any income, the monthly benefits are $314 for one person or $397 for a two-person household, which are equal to 65.1 percent and 64.3 percent of the respective poverty lines for these households.

- Benefits, however, are provided only on a temporary basis.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid (as will FIP recipients); children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, some poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers.[8] Low-wage jobs often provide minimal or no health benefits.

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8. Washington recently adopted a pilot program that will sell subsidized health insurance to certain low-income households in selected geographic areas.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. FIP recipients will also be automatically entitled to Medicaid; in addition, FIP will provide transitional Medicaid benefits on a sliding fee basis for 12 months after termination of cash assistance due to increased earnings.

Other poor children and pregnant women from families that do not receive AFDC or FIP benefits may be entitled to Medicaid coverage under other provisions of federal and state law. These provisions can be of particular importance to individuals from poor two-parent families, since many two-parent families do not receive AFDC benefits or will be ineligible for FIP benefits. (For example, two-parent families with full-time workers are ineligible for cash benefits, as noted above).

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Washington extends Medicaid coverage only to some income-eligible children under 21 years of age. It is one of 19 states that has chosen to restrict this coverage to small groups of children, such as those in foster care.

States also have discretion in setting income eligibility limits for Medicaid coverage. An important state decision is whether it adopts a **Medically Needy** program. States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that

can be (and generally are) higher than the countable income levels at which a family is eligible for cash assistance.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Under the Medically Needy program in Washington, a family of three with a monthly countable income of less than $575, after deducting medical expenses, is eligible for Medicaid.[9] This income eligibility limit is equal to 76.1 percent of the poverty line for a family of three.

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

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9. In some states with a Medically Needy program, the income eligibility limits vary by areas within the state. In such cases, income eligibility levels from the most representative area are cited.

10. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

11. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Washington has a SOBRA program, but with an income eligibility limit equal to 90 percent of the federal poverty level, thus leaving some pregnant women and young children in poverty without Medicaid benefits. Nearly every other state with a SOBRA program has set its income eligibility limit equal to the poverty line.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Washington covered 23 out of 32 possible optional Medicaid services.[12] Services *not* covered by the Medicaid program in Washington included occupational therapy.

The provisions of the Medicaid program in Washington are especially noteworthy because in 1985 the state infant mortality rate was 10.7 per thousand births, which was above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, including Washington, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people unserved. Nationally, only about one of every four elderly poor households receives SSI.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Washington has a Medically Needy program for the low-income elderly and disabled. An elderly or disabled person with a monthly income of $368, after expenditures for medical care and other deductions, is eligible for coverage. This eligibility limit is 81.0 percent of the poverty level for a single elderly individual.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the SOBRA law also provides states with

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12. For households that received Medicaid coverage under the Medically Needy option, service coverage was more limited, with only 20 options covered.

the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Washington has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Washington does not pay for personal care services.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Washington.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Washington:

- Only 37.0 percent of the unemployed received unemployment insurance benefits in an average month in 1986.

- Washington ranked 16th among all states by this measure.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Washington:

- Average unemployment insurance benefits equaled 37.6 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens

that are proportional to income). But most other forms of state taxation tend to be regressive.

In Washington, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	0%
Corporation net income	0
General sales	59.6
Selective sales	16.4
License	5.1
Other taxes	18.9

Washington is one of only 10 states without a broad-based individual income tax. It is one of only four states without a corporate income tax. The lack of income taxes makes a state tax system significantly more regressive and increases overall tax burdens on low-income people.

For poor households in most states, sales tax burdens can be quite significant. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Washington:

- The sales tax rate was 6.5 percent in 1987. In the typical state with a general sales tax, the sales tax rate was five percent.

- Nearly three-fifths, or 59.6 percent, of all state revenue was collected through a general sales tax. This compares to 33.2 percent of state revenues collected through general sales taxes in the median state.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Washington:

- Food and utilities were exempt from taxation.

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Washington does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Washington does *not* have a circuitbreaker program.[13]

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

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13. Circuitbreaker information is from 1985.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 57,265 renter households in Washington received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number of "very low-income" renter households residing in Washington totalled 224,990. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 25.5 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 25.5 percent figure -- as small as it is -- overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[14] In Washington:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 116.9 percent. This represented a shortage of 81,271 very low-rent units.

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14. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program (LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Washington's share of the federal LIHEAP appropriation equaled 33.5 percent of the estimated total heating and cooling costs[15] of all low-income households in Washington which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

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15. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Washington, only an estimated 34.4 percent of those who are eligible are served under the federally-funded WIC program.[16]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Washington supplements the WIC program, but the supplemental funds can be used only for administrative costs.

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16. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.

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WYOMING

HOLES IN THE SAFETY NETS

POVERTY PROGRAMS AND POLICIES IN THE STATES

A STATE ANALYSIS

ISAAC SHAPIRO

ROBERT GREENSTEIN

Center on Budget and Policy Priorities
Washington, D.C.

The Center on Budget and Policy Priorities, located in Washington, D.C., is an independent nonprofit research organization that provides analyses of government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

Isaac Shapiro is Senior Research Analyst at the Center, specializing in state social welfare policies and employment-related issues. He was formerly Research Associate with the Center for Social Policy Studies in Washington, D.C., where he co-authored with Sar A. Levitan the recently published book *Working but Poor: America's Contradiction*.

Robert Greenstein is the director of the Center on Budget and Policy Priorities. He is former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture.

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Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

PREFACE

Although it may not be widely recognized, there is not a single "safety net" providing assistance to the poor throughout the United States. Instead, there are separate and differing safety nets in each state and the District of Columbia. The Center's Safety Nets Project was formed to examine each of these different configurations of programs.

The Project is now issuing 51 state reports -- one on the safety net in each state and the District of Columbia -- as well as a national overview report. This report is one in this series. We hope these reports are useful to policymakers and legislators, charitable and non-profit organizations, researchers and journalists, advocacy and community groups, and others concerned with public policies to assist those people who are poor.

In preparing these reports, we have focused on benefit programs and income-related policies such as cash and medical assistance programs, food stamps, unemployment insurance, low-income housing and energy assistance programs, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and state tax policies. The reports do not cover programs providing services (rather than benefits), not because service programs are unimportant, but because our focus here is on the benefit programs and tax policies that directly affect the incomes and purchasing power of poor households and that are widely viewed as constituting the safety net.

In addition, the reports concentrate on the state safety nets as they existed in 1987 with a particular focus on their gaps and weak points. They do not include all changes that have been made by some states in recent months. As the reports indicate, the gaps in the safety nets of many states remain larger than many Americans realize. Narrowing these gaps can serve to help alleviate the effects of poverty and to diminish the ranks of the poor.

The focus here on benefit and tax policies should not suggest that we regard improvement in safety net programs as the complete agenda for dealing with poverty. Other efforts, such as improving the job skills and education of large numbers of low income youth, are critical. Both adequate safety nets and effective programs and policies that assist poor families and individuals to climb out of poverty and attain self-sufficiency are needed.

Wyoming Highlights

Estimated poverty rate, 1985	12.0%
Estimated number of poor, 1985	61,000

Key Program Data*

AFDC benefits as percentage of poverty line (for a three-person family without any other income)	47.6%
Combined AFDC and food stamp benefits as percentage of poverty line (for a three-person family without any other income)	74.0%
Medicaid income eligibility limit as percentage of poverty line (for a three-person family)	47.6%
Percentage of unemployed receiving unemployment insurance, 1986	34.7%
Percentage of state tax revenue from individual and corporate income tax, 1986	0%

Optional programs*	State has program?	Number of states with program
AFDC-UP	no	28
AFDC emergency assistance	yes	26
SSI state supplement	yes	27
Statewide general assistance	yes	25
Full use of Ribicoff option for children	no	32
Medicaid "SOBRA" option		
Pregnant women and children	no	25
Elderly and disabled	no	4
Medicaid Medically Needy program	no	36
Property tax circuitbreaker, 1985	no	31

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*Data are from 1987, except where otherwise noted.

WYOMING

An estimated 12.0 percent of the population of Wyoming, or 61,000 people, lived in poverty in 1985.[1] This report focuses on the role of the state government in fashioning benefit programs to assist these people, as well as state tax policies that affect their purchasing power.

Several comments about the report should be made. It examines benefit programs as distinguished from service programs. For example, benefits provided to families and individuals through the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and unemployment insurance programs are examined, while grants to local governments, school districts, and service providers of education, day care or job training for low income people are not.

This report is not intended to provide a comprehensive picture of all efforts to aid those who are poor in the state. Nor does it emphasize changes in state policies that may have narrowed or widened gaps in the safety net in recent years. Rather, the purpose of the report is to examine the state's safety net as it existed during a very recent period of time (in most cases, 1987) and to focus attention on its gaps and weak points as a guide to possible improvements in the years ahead.

For the poor in Wyoming, eligibility for government assistance and the level of benefits they receive are highly dependent on whether or not they are working, married, elderly, disabled, parents, or children. Those who qualify for assistance often receive a level of aid that is not sufficient to lift them out of poverty.

The safety net for poor people in Wyoming is weaker than in many other states and contains substantial holes. The maximum AFDC benefit for a mother and two children with no other income equals less than half (47.6 percent) of the poverty line. If food stamps are counted as income and added in, the maximum combined AFDC and food stamp benefit falls below three-fourths of the poverty line. AFDC benefits are low in Wyoming, in part because they have declined 41.2 percent since 1970, after adjusting for inflation.

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1. The 1985 state poverty rate estimates, the latest available, were calculated by Christine Ross and Sheldon Danziger ("Poverty Rates by State, 1979 and 1985: A Research Note," *Focus*, Institute for Research on Poverty, Madison, Wisconsin, Fall 1987). These estimates are based on U.S. Census Bureau data and are more precise for states with large populations than for states with small populations. The 1985 estimates are not official government estimates, but should be more accurate as estimates of current state poverty rates than the latest available official government estimates, which are from the 1980 Census. In 1985, the national poverty rate was 14.0 percent.

In addition, Wyoming has chosen not to provide AFDC to poor two-parent families with children, unlike 28 other states that provide these benefits.

Wyoming also has a restrictive Medicaid program that does not provide health care coverage to many of the state's poor families with children. The state is one of seven in the nation that has not adopted any of four key Medicaid options that provide health care coverage to members of poor families with children that do not receive AFDC benefits. For example, the state has not extended Medicaid coverage to pregnant women and infants with incomes up to the poverty line. The state's Medicaid income limit is set below half the poverty line, making many poor pregnant women and infants (among other poor individuals) ineligible. Moreover, Wyoming has chosen not to provide Medicaid to working poor families with children that have sufficiently high medical expenses that their income after medical costs makes them poorer than families receiving AFDC benefits. (The selection of this option could also benefit elderly and disabled people.) Wyoming also denies coverage to most people living in poor families with children where both parents are present.

For those single-parent families and elderly and disabled households that do receive Medicaid, Wyoming offers only nine of 32 optional services, the fewest number offered in any state. Wyoming's Medicaid program does not offer such important optional items and services as dental services, prescription drugs, eyeglasses, and emergency hospital services.

Wyoming also has no general cash assistance for poor single individuals and childless couples who are neither elderly nor disabled. These types of households are also unlikely to receive health care coverage. In addition, in an average month in 1986, nearly two of every three unemployed workers in the state did not receive unemployment benefits.

These and other aspects of the Wyoming safety net will be discussed in this analysis.

The first part of this analysis examines the effectiveness of cash assistance (AFDC, general assistance, and SSI), food stamps, and Medicaid for different types of households: single-parent families, two-parent families, the elderly and disabled, and singles and childless couples. The second part of the analysis discusses the effects on the poor of other programs and policies -- unemployment insurance, state taxes, housing assistance, low-income energy assistance, and the WIC program.

HOUSEHOLD TYPE AND LEVEL OF ASSISTANCE

The assistance provided by government poverty programs is strongest for the elderly and the disabled, although many individuals in these groups fail to receive enough assistance to bring them up to the poverty line. Assistance is less strong for single-parent families than for the elderly and is weaker still for two-parent families, although adoption of an AFDC-UP program by a state narrows this difference for two-parent families. Assistance programs are of the least help by far to single individuals and childless couples.

Cash and Food Assistance

There are separate government cash assistance programs for different types of poor households: AFDC for single-parent and (at a state's option) two-parent families, SSI for the elderly and disabled, and, at the option of states and localities, general assistance for singles and childless couples. All of these categories of poor households are eligible for food stamp assistance (a program with federally-set eligibility and benefit standards).

Single-Parent Families with Children

Poor single-parent families can receive cash assistance through the AFDC program. But even when combined with food stamps, this assistance leaves families in Wyoming well below the poverty line. Unlike Social Security and federal SSI payments, which are set nationally and are adjusted yearly to keep pace with inflation, AFDC benefit amounts are determined by each state. Wyoming does not index benefits to inflation, and the value of its AFDC benefits has declined markedly over time.

In Wyoming:

- A single parent with two children, and with no income, is eligible for a maximum AFDC cash benefit of $360 per month, or $4,320 per year. This AFDC benefit equals 47.6 percent of the 1987 poverty line for a family of three (the estimated three-person poverty line is $9,069 in 1987).

- This AFDC benefit level for a family of three ranks 24th out of all states.[2]

- The maximum food stamp benefit for a three-person family receiving the maximum AFDC cash benefit equals $200 per month. At most, AFDC and food stamp benefits combined can equal 74.0 percent of the poverty line.[3] (Most, but not all, AFDC beneficiaries receive food stamps.)

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2. State rankings include the District of Columbia. The state offering the most assistance is ranked "1," while the state offering the least assistance is ranked "51."

3. Computation of the maximum combined value of AFDC and food stamp benefits assumes that families receive the maximum food stamp shelter deduction allowed under federal law. (Food stamp households can receive a deduction, up to a maximum amount, for shelter costs that are high in relation to their incomes.) In fact, however, the majority of AFDC families do not receive the maximum food stamp shelter deduction. As a result, combined AFDC and food stamp benefits for most AFDC families without any other income are somewhat lower than the level reflected here.

- For a single-parent family of *four* without any income, maximum AFDC benefits are $4,680 per year, which equals 40.2 percent of the 1987 poverty line (the estimated four-person poverty line is $11,629 in 1987).

- AFDC benefits have not kept pace with the rising cost of living. For example, the maximum benefit for a four-person family fell 41.2 percent from 1970 to 1987, after adjusting for inflation. AFDC benefits in Wyoming were last raised in 1985.

Many poor, single-parent families, moreover, cannot obtain any AFDC assistance. For instance, if a mother works she will often lose eligibility for AFDC even though she has income far below the poverty line (in part because only a small portion of earnings are disregarded in the calculation of AFDC benefits).

- For a single mother with two children in Wyoming who incurs deductible child care costs of $106 a month,[4] earnings of $561 a month -- equal to 74.2 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Most AFDC families with earnings, however, do *not* have deductible child care costs. In Wyoming:

- For a single mother with two children who does *not* get a child care deduction, earnings of $455 a month -- equal to 60.2 percent of the poverty line -- mean the loss of all AFDC benefits after the fourth month she has held a job while on the AFDC rolls.

Some 26 states also provide AFDC *emergency* assistance when a child's well-being is directly threatened by broadly-defined natural or domestic emergency situations. The emergency assistance program can benefit both single and two-parent families, by waiving various AFDC eligibility restrictions and providing cash assistance more quickly; however, the level and extent of emergency assistance are very limited. In states funding emergency assistance, families receiving regular AFDC benefits may also be eligible for emergency assistance in certain, restricted circumstances.

- Wyoming provides AFDC emergency assistance.

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4. $106 per month is the average child care deduction for those AFDC families who get the deduction. The deduction is subtracted from a family's *gross* income. A family's *net* or *countable* income -- that is, its income after deductions or disregards -- determines its level of AFDC benefits. At the same time, there is also a gross income limit on AFDC eligibility. Families with incomes above this limit are not eligible for AFDC benefits, regardless of the level of deductions and disregards for which they may qualify.

Two-Parent Families with Children

Federal law gives states the option to extend AFDC cash benefits to two-parent families with an unemployed primary earner.[5] Some 28 states have such a program (known as "AFDC-UP").

- Wyoming does *not* have an AFDC-UP program.

Since there is no AFDC-UP program in Wyoming, two-parent families with an unemployed primary earner are ineligible for cash assistance, other than unemployment insurance benefits, which are available only to a minority of the unemployed.

Food stamps are available to poor, two-parent families, whether working or unemployed, if their assets and income are low enough. Food stamp benefits are funded by the federal government, which also sets the eligibility and benefit standards for the program. These standards are the same throughout the continental United States.

- For a two-parent family of four without any income, the maximum monthly food stamp benefit (from October 1987 to September 1988) is $290 -- or 79 cents per person per meal. This benefit amount is reduced if the family has earnings or other income.

Many of the working poor are eligible but do not apply for food stamp benefits, perhaps because they are unaware of their eligibility, fear the stigma involved, or face other barriers to enrollment.

Elderly and Disabled

Even after receiving Social Security, which goes to both the poor and the nonpoor, many low-income elderly and disabled people have trouble meeting their basic needs. The Supplemental Security Income (SSI) program provides some of the elderly and disabled poor with additional cash assistance. The basic federal SSI payment level is set nationally and adjusted each year for inflation. Some 27 states have chosen to supplement the basic federal SSI grant, although only one state automatically adjusts these supplements for inflation.[6] Moreover, even though Wyoming supplements SSI, the combined SSI assistance is insufficient to lift elderly and disabled individuals out of poverty.

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5. Two-parent families with children in which one parent is "incapacitated" are eligible for AFDC benefits in all states if they meet their state's income and assets eligibility requirements.

6. This analysis focuses on state SSI supplements for elderly and disabled households living independently. Some states provide different supplement levels for elderly and disabled households in alternative living situations (such as those receiving in-home health care).

In Wyoming:

- For households without any income, SSI provides a maximum federal payment in 1987 of $340 a month ($4,080 a year) for an individual and $510 a month ($6,120 a year) for a couple.[7]

- Wyoming supplements the basic federal SSI grant by $20 a month for an individual and $40 a month for a couple. Together, the maximum federal and state supplemental SSI grants equal 79.2 percent of the poverty line for an individual and 95.9 percent for a couple.

- SSI recipients may also receive food stamps, with benefit levels dependent on the deductions from income for which a household qualifies under federal food stamp rules. A household that has no other income except the maximum SSI benefit and that qualifies for the average level of deductions received by elderly food stamp households receives food stamp benefits of $36 per month for an individual and $51 per month for a couple.

- When this food stamp value is added to the maximum SSI payment, the combined assistance is equal to 87.2 percent of the poverty line for individuals and 104.8 percent for couples. However, many SSI recipients who are eligible for food stamps do not receive them.

Nationally, half of all SSI recipients receive Social Security benefits as well. However, SSI benefits are reduced by all but the first $20 of Social Security benefits; hence, the maximum net additional income for an SSI recipient who also receives Social Security can be no more than $20 a month above the maximum SSI benefit level in the state. Elderly people who qualify for SSI but not Social Security are usually individuals who have little or no work experience or who worked in occupations not covered by Social Security.

Singles and Childless Couples

For single people and childless married couples who are poor but neither disabled nor elderly, little or no cash assistance is usually available. The majority of states do offer some form of general cash assistance, but it tends to be strictly limited in various ways. These "general assistance" programs may be

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7. The 1988 federal SSI benefit levels are $354 a month for a single individual and $532 a month for a couple. The 1988 levels are higher than the 1987 levels because of the annual SSI cost-of-living adjustment. However, the 1988 poverty lines will also be higher than in 1987, due to an adjustment for inflation. In inflation-adjusted value, and as a percentage of the poverty line, federal SSI benefits will be about the same in 1988 as in 1987. (For one and two-person households, there are different poverty lines for elderly and nonelderly households. The estimated 1987 poverty line for an elderly individual is $5,455; for a two-person elderly household, it is $6,882.)

either state or locally funded and administered. They are *not* subject to any federal standards or regulations.

In Wyoming:

- There is a state general assistance program, but it serves only disabled people. Thus nondisabled, nonelderly[8] singles and childless couples who are poor are left without any cash assistance (unless they are receiving unemployment insurance).

- For a disabled household without any income, the monthly benefits are $145 for one person or $235 for a two-person household, which are equal to 30.1 percent and 38.1 percent of the respective poverty lines for these households.[9]

- Benefits are provided only on a temporary basis.

Poor singles and childless couples may be eligible for food stamps. Households without any income -- for example, without earnings, general assistance or unemployment insurance benefits -- can receive food stamps with a maximum monthly benefit of $87 for an individual and $159 for a couple. However, these federal benefit levels are equal to only 18.0 percent and 25.8 percent of the respective poverty lines for these households. If poor singles or childless couples have other sources of income, they still may be able to qualify for food stamps, but generally for less than the maximum benefit.

Medical Assistance

Health assistance for some low-income households is provided through the Medicaid program. Medicaid is administered under federal rules, but states have considerable discretion to decide which groups of low-income people are eligible for coverage and which services the state's Medicaid program will pay for. States share in the cost of the Medicaid program, which often prompts them to limit eligibility and to restrict the number of services provided.

Medicaid coverage is limited to certain categories of low-income families with children and low-income elderly and disabled people. All other categories of households are ineligible for coverage (except for pregnant women who live alone or as part of couples that do not have children).

Poor families receive Medicaid coverage through a variety of provisions. AFDC families automatically receive Medicaid; children and pregnant women in non-AFDC families may receive Medicaid under special provisions of federal or

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8. Singles and childless couples who are elderly and have low incomes may be eligible for SSI cash benefits.

9. In some state programs, the level of general assistance benefits varies by areas within the state; in these instances, benefit levels for the most representative area are cited.

state law; and families whose incomes disqualify them from receiving AFDC may receive Medicaid if the state has adopted a "Medically Needy" program (see below) that has less rigid income eligibility requirements than does AFDC.

Despite the various Medicaid coverage provisions, many poor families do *not* have Medicaid coverage and lack adequate health insurance, even if they have one or more workers. Low-wage jobs often provide minimal or no health benefits.

Low-income elderly and disabled people generally may receive Medicaid if they are SSI recipients or if the state in which they live has taken advantage of state options that allow additional categories of low-income elderly or disabled people to be covered.

Singles and childless couples who are neither elderly nor disabled are essentially excluded from Medicaid coverage. They may be forced to rely on scanty state and local medical assistance programs for the indigent, if they receive any medical assistance at all.

Families with Children

Families that receive AFDC or AFDC-UP are automatically entitled to Medicaid. Even though Wyoming does not have an AFDC-UP program, it has the option to extend Medicaid coverage to two-parent families with an unemployed primary earner that are poor enough to meet the AFDC income eligibility limits.

- Wyoming does not provide Medicaid coverage to two-parent families who meet its AFDC income eligibility requirements.

Poor children, pregnant women, and other members of families that do not receive AFDC may be entitled to Medicaid coverage under other provisions of federal and state law.

The federal government currently mandates Medicaid coverage for pregnant women and children born after September 30, 1983 up to seven years of age who are from families whose incomes fall below a state's Medicaid income eligibility limit (see below), regardless of whether the families receive AFDC or have one or both parents present.

In addition, federal law provides states with a number of *options* under which a state may choose to expand Medicaid coverage. These include the Ribicoff option, the Medically Needy program, and the SOBRA option, all of which are discussed below.

Under the **Ribicoff** option, states can extend Medicaid coverage to children under age 21 who are from families with incomes below the state's Medicaid income eligibility limit, whether or not the families receive AFDC or have one or both parents present.

- Wyoming extends Medicaid coverage only to some income-eligible children under 19 years of age. It is one of 19 states that has chosen to restrict this coverage to small groups of children.

States also have discretion in setting income eligibility limits for Medicaid coverage. An especially important state decision is whether it adopts a **Medically Needy** program. In states without a Medically Needy program, the Medicaid income eligibility limit equals the maximum "countable" income at which a family is eligible for AFDC benefits. (Countable income equals the family's gross income minus any deductions, such as some portion of earnings or child care expenses, that it can claim under AFDC rules.)

States with a Medically Needy program can expand eligibility for Medicaid in two ways. First, the state can set income limits for Medicaid that can be (and generally are) higher than the countable income levels at which a family is eligible for AFDC.

Second, a family whose countable income is above the Medicaid income eligibility limits, but whose medical expenses are so large that its remaining income *after medical expenses are deducted* is below the Medicaid limits, can be made eligible for Medicaid. For example, a hypothetical state may have a monthly AFDC income eligibility threshold of $400 and a Medically Needy program with a monthly income eligibility threshold of $450. In this imaginary state, a family with AFDC countable monthly income of $500 and incurred medical expenses of $80 would qualify for Medicaid. Its income after deducting medical expenses ($420) would be greater than the AFDC income eligibility threshold, but it would be less than the Medically Needy income eligibility threshold.

- Wyoming is one of 14 states that does *not* have a Medically Needy program. Consequently, the Medicaid income eligibility limit in Wyoming is the same as the AFDC income eligibility limit, which is less than half (47.6 percent) of the three-person poverty level.

Another key option is the **SOBRA**[10] option. As a result of the enactment of SOBRA in 1986, states can increase their Medicaid income eligibility limits for pregnant women and young children. If a state adopts the SOBRA option for pregnant women and young children, its income eligibility limit can be set higher than the general Medicaid income eligibility limit in the state, but not in excess of the federal poverty line. Thus, this option enables states to extend Medicaid coverage to poor pregnant women and young children living in families with incomes up to the poverty line, regardless of whether the family is on AFDC, whether one or both parents are present, and whether the family is already incurring high medical costs.

Currently, SOBRA allows states to cover poor pregnant women and children up to the child's second birthday. As of October 1, 1988, states will have the

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10. The term "SOBRA" stands for Sixth Omnibus Budget Reconciliation Act, the name of the federal law that established this new Medicaid option.

option to extend Medicaid coverage to all children under age five who live in families with incomes up to the poverty guidelines.[11]

In January 1988, the SOBRA option for pregnant women and young children was in effect in 25 states.

- Wyoming does not have a SOBRA program, leaving large numbers of pregnant women and young children from poor families without Medicaid coverage.

Wyoming is one of seven states that has adopted *none* of the four key Medicaid options described above: coverage of two-parent families, coverage of Ribicoff children, a Medically Needy program, and SOBRA coverage of pregnant women and young children. In contrast, forty-one states have adopted two or more of these options.

In addition to having wide discretion in determining Medicaid eligibility, states also have substantial leeway in deciding which medical services Medicaid will pay for. The federal government requires that certain medical services be provided to all Medicaid recipients, but states have the option to have Medicaid pay for none, some, or all of 32 other medical services. These state options are often of vital importance to a household's health care. If a family is unable to afford services not covered by Medicaid, it may have to forego needed medical care.

- In 1986, Wyoming covered nine out of 32 possible optional Medicaid services, which is less than the 21 options covered in the median state. Important items and services *not* covered by the Medicaid program in Wyoming included dental services, prescribed drugs, eyeglasses, and emergency hospital services.

The restrictiveness of the Medicaid program in Wyoming is especially noteworthy because in 1985 the state infant mortality rate was 12.2 per thousand births, which was above the national average of 10.6 per thousand births (itself higher than the infant mortality rate for almost all other industrialized nations).

Elderly and Disabled

In most states, all of the elderly and disabled who receive SSI payments are eligible for Medicaid. However, this leaves many elderly and disabled poor people

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11. Over time, the age limit will be increased further until (by October 1991) states will have the option to extend Medicaid coverage to all poor children under age eight. (Technically, the option applies to all children born after September 30, 1983, so that by October 1, 1991, the option will extend up to a child's eighth birthday.) In addition, federal legislation enacted in 1987 allows states to provide Medicaid coverage to pregnant women and infants (children less than one year old) who live in families with incomes less than 185 percent of the poverty guidelines.

unserved. Nationally, only about one of every four elderly poor households receives SSI.

Moreover, by federal law recipients of the *federal* SSI grant are automatically eligible for Medicaid, but Wyoming is one of a few states that has chosen not to confer automatic Medicaid eligibility on people who only receive *state* SSI supplemental payments.

Some low-income elderly and disabled people who do not receive SSI can qualify for Medicaid under other provisions of federal and state law. States have the option of adopting a **Medically Needy** program for the elderly and disabled. Some 34 states have done so.

- Wyoming does *not* have a Medically Needy program for the low-income elderly and disabled.

In addition to allowing states to raise the Medicaid income eligibility limits for pregnant women and young children, the **SOBRA** law also provides states with the option to extend Medicaid coverage to elderly and disabled people with incomes up to the poverty line.

- Wyoming has not adopted Medicaid coverage for the elderly and disabled under the SOBRA option.

As with state Medicaid programs for families with children, states have considerable discretion over which medical services are covered by their Medicaid programs for the elderly and disabled. Many state Medicaid programs do not pay for some important services needed by elderly and disabled people.

- In addition to the failure to provide the services mentioned above, Medicaid in Wyoming does not pay for items and services such as dentures as well as diagnostic, screening, and preventive services other than those specifically provided for under the Medicaid plan.

Singles and Childless Couples

Poor singles and childless couples who are neither elderly nor disabled are generally ineligible for Medicaid. In many states, health care assistance for these individuals and couples is often provided only through local charities or state or county programs for the indigent. In some areas, they may be unable to get any form of assistance. The sole exception is pregnant women who live alone or as part of couples that do not have children; they may qualify for Medicaid coverage if their incomes are below the Medicaid income eligibility threshold in Wyoming.

OTHER PROGRAMS

The remainder of this analysis examines several other programs and policies that are of particular importance to poor people. In most (but not all) cases, these programs and policies are not limited to families with children or to elderly and disabled people, but affect broader groups of the poor. Included in this

examination are: the unemployment insurance program, state tax policies that affect the poor, the federal low-income housing programs, the federal low-income energy assistance program, and the Special Supplemental Food Program for Women, Infants, and Children (known as the "WIC program").

In the first two areas to be discussed -- unemployment insurance and taxes -- states have substantial discretion. In the remaining areas, federal funding decisions currently are the critical factors in determining the scope and adequacy of a program in a state, although states can choose to supplement the federal effort.

Unemployment Insurance

Some individuals who lose their jobs involuntarily may qualify for unemployment insurance benefits. The states, subject to broad federal standards, have wide latitude in establishing eligibility and payment standards for these benefits.

The percentage of the unemployed receiving unemployment insurance benefits nationwide has been much lower in the 1980s than in the 1970s -- and fell to an historic low in 1986. Tighter eligibility requirements for benefits in some states (spurred in part by federal pressure on states not to run deficits in their unemployment insurance programs) contributed to this occurrence, as did sharp federal cutbacks in the extended benefits program that provides additional weeks of unemployment insurance benefits to the long-term unemployed.

On a nationwide basis, only 33 percent -- or one in every three unemployed workers -- received unemployment insurance benefits in an average month in 1986. In Wyoming:

- 34.7 percent of the unemployed received unemployment insurance benefits in an average month in 1986.
- Wyoming ranked 23rd among all states by this measure.

Unemployment insurance benefits, moreover, generally replace half or less of the wages an unemployed worker previously earned. In Wyoming:

- Average unemployment insurance benefits equaled 44.9 percent of the average weekly wages of workers covered by unemployment insurance. (For some unemployment insurance recipients, of course, the proportion of their previous wages that are replaced is greater than this average, while for others, it is lower.)

Low-wage workers who are intermittently employed are especially unlikely to be assisted by the unemployment insurance system. Such workers may fail to meet eligibility requirements established by their states, including requirements that to qualify for benefits, a worker must have been employed for a minimum period of time and have earned at least a minimum amount before losing his or her job.

Taxes

In nearly all states, state and local taxes constitute a substantial burden on poor households. Even *before* enactment of the federal tax reform law of 1986, poor people paid much more in state and local taxes than in federal taxes. This is because state and local tax systems are *regressive* in virtually all states -- that is, state and local taxes take a larger percentage of the income of low and moderate income people than of upper income people.

Just how regressive a state's tax code is depends upon several factors -- the types of taxes upon which the state relies most heavily, the structure of specific taxes such as state income and sales taxes, and the existence (or absence) of tax relief programs for low-income people.

States typically raise their revenues from a variety of sources, such as personal and corporate income taxes, sales taxes, license fees, etc. The extent to which a state relies on income taxes to raise revenues is particularly important. State income taxes tend to be progressive (or, at the least, to impose tax burdens that are proportional to income). But most other forms of state taxation tend to be regressive.

In Wyoming, state revenues in 1986 were generated from the following sources. (Please note that this list includes *state* taxes only. *Local* taxes -- which are primarily property taxes, but which may also include local sales or income taxes in some areas -- are *not* reflected in this list.)

Individual income	0.0%
Corporation net income	0.0
General sales	23.2
Selective sales	6.8
License	7.6
Other taxes	62.5

Wyoming's heavy reliance on "other taxes" is unusual among the states. Virtually all of these taxes are severance taxes on minerals and coal.

For poor households in most states, sales tax burdens can be significant. Sales taxes are inherently regressive because they are taxes on consumption. Unlike the high incomes of the wealthy, virtually all of the income of the poor goes for consumption. In Wyoming:

- The sales tax rate was 3.0 percent in 1987.
- Some 23.2 percent of all state revenue was collected through a general sales tax.

The burden of the sales tax on low-income households is moderated somewhat if a state does not tax purchases of food and utilities. However, the sales tax generally remains highly regressive even if food and utilities are exempted.

Twenty-nine states exempted most grocery store food purchases from the sales tax in 1986. Thirty-two states exempted utilities. In Wyoming:

- Food and utilities were *not* exempt from taxation. (There is a notable exception. Federal law requires that purchases made with food stamps be exempt from the sales tax.)

Seven states have established sales tax credits to ease sales tax burdens on some or all low (or low and moderate) income households. Under these credits, eligible households are compensated for a portion of their sales tax burdens either by having their state income taxes reduced or by receiving a reimbursement check from the state government.

- Wyoming has a sales tax credit for low-income households, but it is restricted to elderly and disabled people. For low-income households that are neither elderly nor disabled, Wyoming is one of five states with a sales tax that fails to exempt food and utilities from the sales tax and also does not have a sales tax credit.

Substantial as the sales tax burden can be, local property taxes are generally even more burdensome for those with low incomes. In most local areas around the country, the property tax is the heaviest tax imposed on the poor by any level of government.

It should be noted that both homeowners *and renters* bear property tax burdens. Landlords pass along most or all of their property taxes (along with mortgage costs and other business expenses) in rental charges.

Because property tax burdens on low-income households are so high, a majority of states have established property tax relief programs for some or all low-income (or low and moderate income) households. These programs are often called "circuitbreakers" (although other names are used for these programs in some states). Property tax relief programs are almost always established and administered at the state level, because localities -- especially those with large concentrations of poverty -- generally cannot afford to provide such relief.

Some 31 states currently have circuitbreaker programs, with benefits typically provided as tax credits. Low-income households apply for the credits, and if eligible, the credit is applied against their income tax liability. (In some states, if the circuitbreaker benefit exceeds the income taxes owed, the household is sent a check for the difference.) Benefits are generally reduced as income rises. One impediment to the success of the circuitbreaker is that potential recipients are often unaware of their eligibility.

Most states with circuitbreakers cover renters as well as homeowners. In these states, the circuitbreaker program assumes that a specified percentage of a household's rent payments (usually 15 to 25 percent of these payments) goes for property taxes.

- Wyoming does *not* have a circuitbreaker program.[12]

Housing

The federal government funds several low-income housing programs. These programs generally fall into two categories -- support for public housing and rental subsidies for low-income households living in privately-owned rental housing. In both the public and subsidized housing programs, low-income tenants are generally assessed rental charges equal to 30 percent of their incomes.

Low-income housing programs assist two groups -- those classified as "low-income" households and those classified as "*very* low-income" households. Under federal regulations, "low-income" households are those whose incomes are less than 80 percent of the median household income in their area. "Very low-income" households are those whose incomes fall below 50 percent of the median household income in their area.

Unlike a number of other basic low-income assistance programs, housing is *not* an entitlement program. This means that benefits are not automatically provided to all households that apply and are found eligible. Instead, the federal government allocates a fixed amount of money to low-income housing assistance. The current funding level is far below what is needed to cover all eligible applicants and, as a result, the vast majority of needy households do not receive housing assistance. Many urban areas have long waiting lists of poor households that have applied and been found eligible -- but for whom there is no room in the programs.

- In 1985, some 3,915 renter households in Wyoming received federally-supported low-income housing assistance. These recipient households include both households classified as "low-income" and households classified as "very low-income."

- Yet in 1983, the number just of "very low-income" renter households residing in Wyoming totalled 16,620. (1983 is the latest year for which these data are now available.)

- If all those who received rental assistance were "very low-income" renters, then no more than 23.6 percent of eligible "very low-income" households would have received aid. However, since some of those households receiving assistance were "low-income" households (rather than "very low-income" households), the 23.6 percent figure overstates the true percentage of "very low" income renters actually receiving assistance.

Other measures of unmet needs for low-income housing, including the growing number of homeless individuals in some areas of the country, also indicate the large gap between low-income housing availability and the need for such housing. The Low Income Housing Information Service has issued a "Rental

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12. Circuitbreaker information is from 1985.

Housing Crisis Index," which uses Census data to compare the number of very low-income renter households in each state to the number of very low-rent housing units in the state. The Rental Housing Crisis Index shows that the number of very low-income renter households substantially exceeds the number of very low-rent units in most states.[13] In Wyoming:

- The Rental Housing Crisis Index indicates that in 1985 the number of very low-income renter households exceeded the number of very low-rent units by 55.5 percent. This represented a shortage of 5,182 very low-rent units.

Unfortunately, the already large gap between the number of very low-income households and the number of rental units available at a low rental cost is expected to grow even wider for the duration of this century. In June 1987, the Neighborhood Reinvestment Corporation, a Congressionally-chartered institution, issued a major study which reported that nationwide, if recent trends continue, by the year 2003 there will be 8.8 million more low-income households unable to find low rent units than there were in 1983. The causes of the growth in this gap include an expected increase in the need for low-rent housing, the expiration of many current federal low-income housing contracts, and the dearth of production of low-rent housing by the private market.

The modest proportion of low-income households now being assisted by the federal low-income housing programs is essentially a result of federal funding decisions, not of state or local action. However, the substantial unmet need for housing, along with the likelihood that this problem will grow considerably worse in the years ahead, suggests a major need for states and localities to step in to help fill these gaps.

Energy Assistance

The total energy costs of households are sharply higher than a decade ago and consume a much higher proportion of the income of low-income households than of other households. In 1986, the average household nationwide spent 3.9 percent of its income on home energy costs, but the average low-income household eligible for government energy assistance spent 15.1 percent of its income on these expenses.

To help low-income households meet these high energy bills, the federal government provides funds for the Low Income Home Energy Assistance Program

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13. The definition of "very low income" renter households used in the Rental Housing Crisis Index differs from the U.S. Department of Housing and Urban Development (HUD) definition of "very low income" renter households. The LIHIS definition covers households with incomes at or below 50 percent of the median *renter* household income in the state. HUD's definition covers renter households with incomes at or below 50 percent of the median income of *all* households in their area, including both renters and homeowners. The Rental Housing Crisis Index defines "very low rent" housing units as units that rent for no more than 30 percent of the income cutoff for "very low income" renters.

(LIHEAP), which is administered by the states. Like the low-income housing programs, LIHEAP is not an entitlement program and falls well short of meeting the full need for aid. Because of limited federal funding levels, on a nationwide basis the program covers only a relatively small portion of the heating and cooling costs of eligible, low-income households.

- In fiscal year 1987, Wyoming's share of the federal LIHEAP appropriation equaled 35.2 percent of the estimated total heating and cooling costs[14] of all low-income households in Wyoming which were potentially eligible for assistance under federal guidelines. This percentage is expected to be lower in fiscal year 1988, since federal LIHEAP funding for 1988 was cut.

The WIC Program

Administered through local health clinics, the federally-funded Special Supplemental Food Program for Women, Infants and Children (WIC) provides food supplements and nutrition counseling to pregnant and nursing women, as well as to infants and children up to age five. Recipients must be both low-income and nutritionally at risk. Since WIC is not an entitlement program, and since federal funding levels are sufficient to reach fewer than half of those eligible nationwide, many eligible women and children are left out of the program.

- In Wyoming, an estimated 72.7 percent of those who are eligible are served under the federally-funded WIC program.[15]

Some 11 states have chosen to provide state funds to supplement the WIC program, which can increase the proportion of eligible women, infants, and children who are served.

- Wyoming does *not* supplement the WIC program.

In 1987, however, Wyoming did institute new procurement measures to reduce the cost of the infant formula provided through the WIC program. The savings generated are being used to add more participants to the program.

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14. Heating and cooling costs average less than half of the total energy costs of low-income households (on a nationwide basis).

15. These figures were calculated using the number of WIC recipients as of June 1987 and an estimate of the number of WIC eligibles in the state in 1984. The estimate of WIC eligibles in each state for 1984 was calculated by increasing the number of WIC eligibles in that state in 1979 (as estimated by the U.S. Department of Agriculture) by the percentage that the number of WIC eligibles *nationwide* increased from 1979 to 1984. This estimating procedure is used because the most recent U.S. Department of Agriculture estimates for the number of WIC eligibles in each state are for 1979 while the most recent estimates for the number of WIC eligibles in the nation are for 1984.